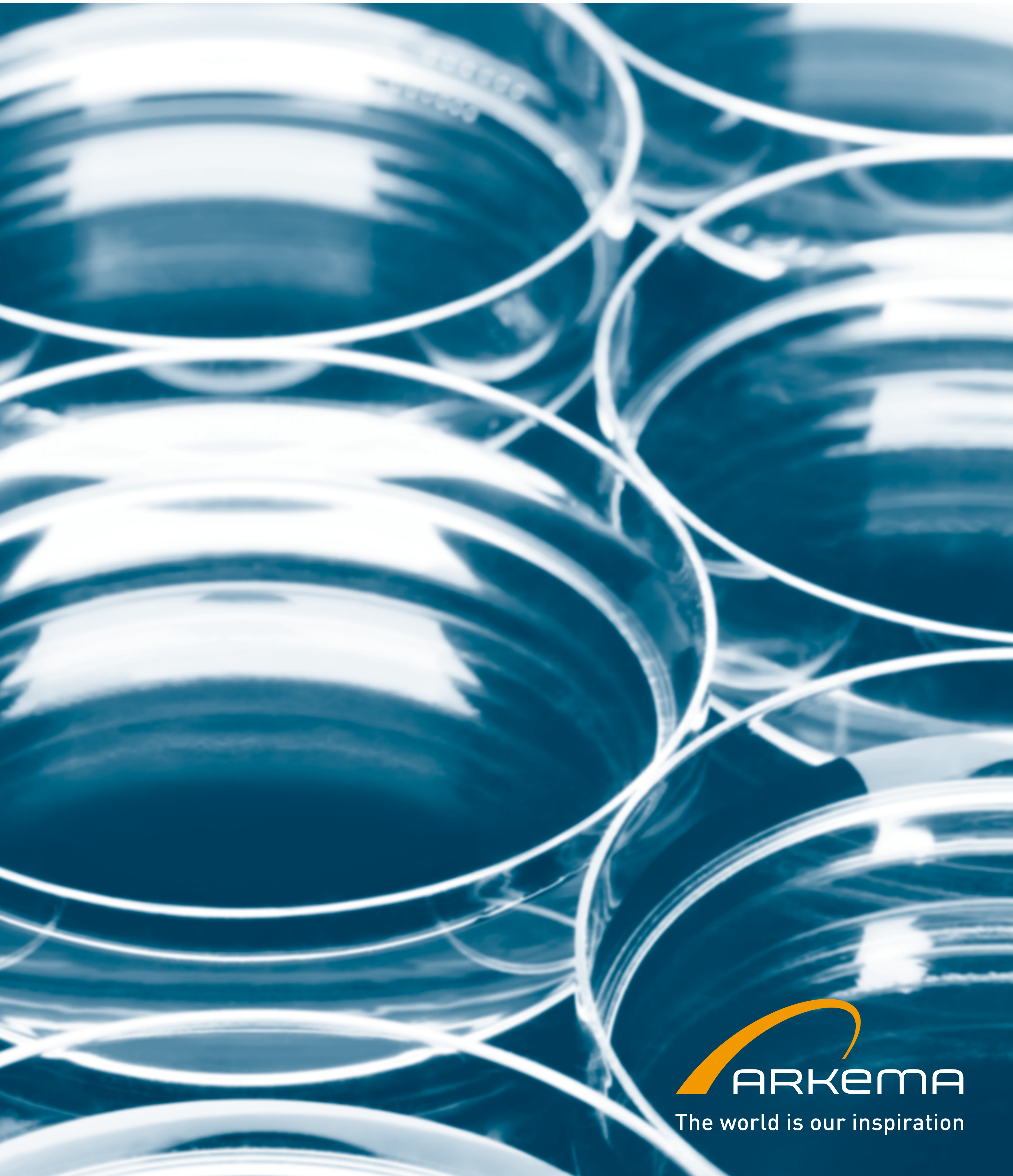
2009 *Reference* document



ARKEMA

The world is our inspiration

The world is our inspiration

Reference Document **2009**

This document is a free translation of the French language reference document that was filed with the *Autorité des marchés financiers* (the "AMF") on 1 April 2010. 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 1 April 2010 with number D.10-0209. 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 2008 included in chapter 20 of the reference document granted visa n° R.09-024 by the *Autorité des marchés financiers* on 21 April 2009, as well as the statutory auditors' reports related thereto;
- the consolidated financial statements for the year ended 31 December 2007 included in chapter 20 of the reference document granted visa n°R.08-026 by the *Autorité des marchés financiers* on 17 April 2008, as well as the statutory auditors' reports related thereto;
- the comparative analysis between the 2008 consolidated financial statements and the 2007 consolidated financial statements included in chapter 9 of the reference document granted visa n° R.09-024 by the *Autorité des marchés financiers* on 21 April 2009.

Contents

General comments

In this reference document:

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

This reference document contains forward-looking statements about the Group's targets and outlook, in particular in chapters 12 and 13. Such statements may in certain cases be identified by the use of the future or conditional tense, or by forward-looking words including but not limited to "believes", "targets", "expects", "intends", "should", "aims", "estimates", "considers", "wishes", "may", etc. These statements are based on data, assumptions and estimates that the Group considers to be reasonable. They may change or be amended due to uncertainties linked to the economic, financial, competitive, regulatory and climatic environment. In addition, the Group's business activities and its ability to meet its targets may be affected if certain of the risk factors described in chapter 6 of this reference document were to materialize. Furthermore, achievement of the targets implies the success of the strategy presented in section 4.3 of this reference document.

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

Forward-looking statements and targets described in this reference document may be affected by risks, either known or unknown, uncertainties and other factors that may lead to the Group's future results, performance and achievements differing significantly from the stated or implied targets. These factors may include changes in economic or trading conditions and regulations, as well as the factors set out in chapter 6 of this reference document.

Investors are urged to pay careful attention to the risk factors described in chapter 6 of this reference document. One or more of these risks could have an adverse effect on the Group's activities, condition, financial results or targets. Furthermore, other risks not yet identified or considered as insignificant by the Group could have the same adverse effect.

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

For the 2009 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 20 of this reference document.

Chapter 9 of this reference document provides a comparative analysis between the 2009 consolidated financial statements and the 2008 consolidated financial statements.

A glossary defining the technical terms used in this reference document can be found in chapter 27 of this reference document.

1 Persons responsible for the reference document and for information

1.1 Person responsible for the reference document

Thierry Le Hénaff, Chairman and Chief Executive Officer, Arkema S.A.

1.2 Declaration by the person responsible for the reference document

"Having taken all reasonable care to ensure that such is the case, I certify that the information contained in this reference document accurately reflects, to the best of my knowledge, the facts and contains no omission that would be likely to affect its meaning.

I certify, to the best of my knowledge, that (i) the accounts have been prepared in accordance with the relevant accounting standards and give a true representation of the assets, financial situation and result of the Company and all consolidated companies, and (ii) the management report, consisting of the sections of this reference document listed in the reconciliation table given in chapter 29, 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 reference document incorporates, for reference purposes, financial statements relating to the financial year ended 31 December 2008 as well as the audit reports for this year by the statutory auditors and financial statements relating to the financial year ended 31 December 2007 as well as the audit reports for this year by the statutory auditors presented respectively in the reference document filed on 21 April 2009 with the *Autorité des marchés financiers* under n° R.09-024 and in the reference document filed on 17 April 2008 with the *Autorité des marchés financiers* under n° R.08-026. The audit report by KPMG Audit and Ernst & Young Audit on the consolidated financial statements for the year ended 31 December 2007 includes an observation on accounting changes made for the year.

The consolidated financial statements for the financial year ended 31 December 2009 and the audit report from KPMG Audit and Ernst & Young Audit, statutory auditors, are included in chapter 20 of this reference document. This report does not include any qualification or observation."

Thierry Le Hénaff

Chairman and Chief Executive Officer

1.3 Person responsible for information

For any question concerning ARKEMA and its business activities:

Sophie Fouillat
Vice-President Investor Relations
Arkema S.A.
420, rue d'Estienne-d'Orves
92700 Colombes (France)
Phone: +33(0)1 49 00 74 63

2 Persons responsible for auditing the financial statements of Arkema S.A.

Statutory auditors

KPMG Audit
Department of KPMG S.A.

Represented by Bertrand Desbarrières
and Jean-Louis Caulier

1, cours Valmy
92923 Paris-La Défense cedex

Appointed at the annual general meeting of 20 May 2008. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2013.

Statutory auditors

Ernst & Young Audit

Represented by François Carrega
and Mrs Valérie Quint

Tour Ernst & Young
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris-La Défense cedex

First appointed at the annual general meeting of 10 May 2006. 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 2011.

Alternate auditor

Jean-Marc Decléty

1, cours Valmy
92923 Paris la Défense Cedex

Appointed at the annual general meeting of 20 May 2008. Current term ends at the conclusion of the annual general meeting to be held in order to approve the financial statements for the year ending 31 December 2013.

Alternate auditor

AUDITEX

Faubourg de l'Arche
11 allée de l'Arche
92037 Paris La Défense Cedex

First appointed at the annual general meeting of 10 May 2006. 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 2011.

3 Selected financial information

(In millions of euros except otherwise mentioned)	2009	2008	2007
Sales	4,444	5,633	5,675
EBITDA *	310	498	518
EBITDA margin *(EBITDA as % of sales)*	7.0%	8.8%	9.1%
Depreciation and amortization	(270)	(248)	(225)
Recurring operating income *	40	250	293
Other income and expenses *	(109)	(53)	(72)
Operating income *	(69)	197	221
Net income, Group share	(172)	100	122
Dividend per share *(in €)* **	0.60	0.60	0.75
Shareholders' equity	1,813	2,018	1,932
Net debt *	341	495	459
Capital employed *	2,977	3,370	3,273
Cash flow from operating activities	452	331	319
Cash flow from investing activities	(250)	(342)	(413)
Cash flow from financing activities	(171)	(12)	10
Working capital on sales *(in %)* *	16.2%	18.7%	19.3%
Free cash flow (1)	228	68	128
Capital expenditure (gross)	301	335	325

* *These indicators are defined in chapter 20 of this reference document.*
** *In 2010, amount of dividend proposed to the annual general meeting of 1 June 2010.*

(1) *Cash flow from operating and investment activities, excluding the impact of portfolio management and, in 2007 and 2008, pre-spin off non-recurring items. Data computed by the Company but which are not extracted from the audited financial statements, detailed in section 9.2.7 of this reference document.*

4 Business overview

All the figures contained in this chapter are provided on a consolidated basis for 2007, 2008 and 2009 (see chapters 9 and 20 of this reference document).

4.1 Presentation of the Group's industry sector

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

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

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

At the two extremes of this wide spectrum, there are, on the one hand, commodities (characterized by few transformation stages, large volumes, and cyclical prices and unit margins), such as olefins and polyolefins, ammonia, methanol and caustic soda, and, on the other hand, sophisticated products like pharmaceuticals and agrochemical derivatives. Between these two extremes are a large number of chemical intermediates, polymers and fine-chemical products.

The chemical industry also includes specialty products such as adhesives, paints, inks, varnishes, cosmetics and detergents, developed in response to the need for application products.

With estimated worldwide sales of almost €1,950 billion in 2008, the chemical sector is a worldwide industry located in three main geographic regions, namely Europe (about 29% of world production), North America (about 21% of world production), and Asia Pacific (about 39% of world production) (2). Trade in chemicals between these three main production regions is growing, though is still limited at present.

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

4.2 General presentation of the Group

The Group operates in this industrial context with a business portfolio focused on three segments: Vinyl Products, Industrial Chemicals, and Performance Products. With sales of €4.4 billion in 2009, the Group is one of the world's leading players in chemicals.

The Group, which is present in 40 countries, conducts its businesses on a global scale, using production sites in Europe, North America and Asia (80 production sites excluding those held for closure or sale), as well as geographic subsidiaries and sales offices in a large number of countries.

The Group ranks among the leading world or regional producers in its main product lines, and conducts its business with respect for health, safety and environment. The Group's commitments towards sustainable development are detailed in the Sustainable Development Report.

At the end of 2009, the Group has six research and development (R&D) centers, of which four are in France, one in the United States, and one in Japan. Over 1,100 researchers work within the Group. The Group's R&D expenses amounted to around 3% of its sales in 2009. The Group focuses on two main innovation areas: ultra high performance polymers, and sustainable development solutions. In order to facilitate their implementation, the Group has set up a dedicated structure called "incubator".

At 31 December 2009, the Group had 13,803 employees.

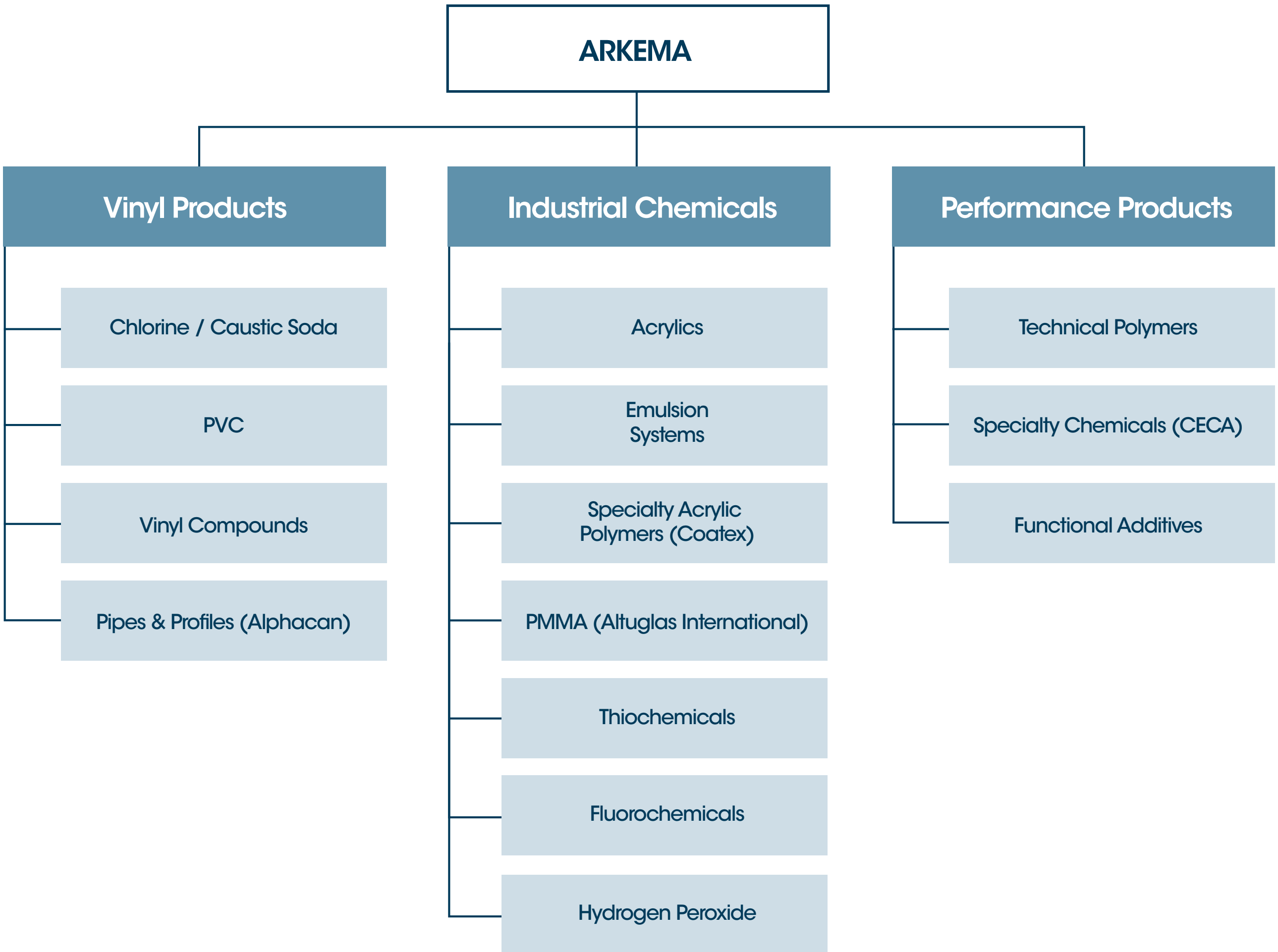
The Group is organized into three business segments (Vinyl Products, Industrial Chemicals, and Performance Products) made up in 2009 of thirteen business units (BUs). Following the acquisition of certain acrylic assets from The Dow Chemical Company on 25 January 2010, ARKEMA has fourteen BUs at the date of this reference document.

Business segments are organized according to business clusters: the Vinyl Products segment groups together the businesses connected with chlorine chemistry, the Industrial Chemicals segment covers the major chemical intermediates, while the Performance Products segment encompasses the businesses focusing on applications products.

(2) Source: CEFIC, January 2009, excluding pharmaceuticals.

The BUs are responsible for their results, cash flow (working capital, capital expenditure, etc.), production management, research, sales, marketing, and customer relations. Each BU managing director reports to the Vice-President of a business segment. Each business segment is overseen by an Executive Vice-President.

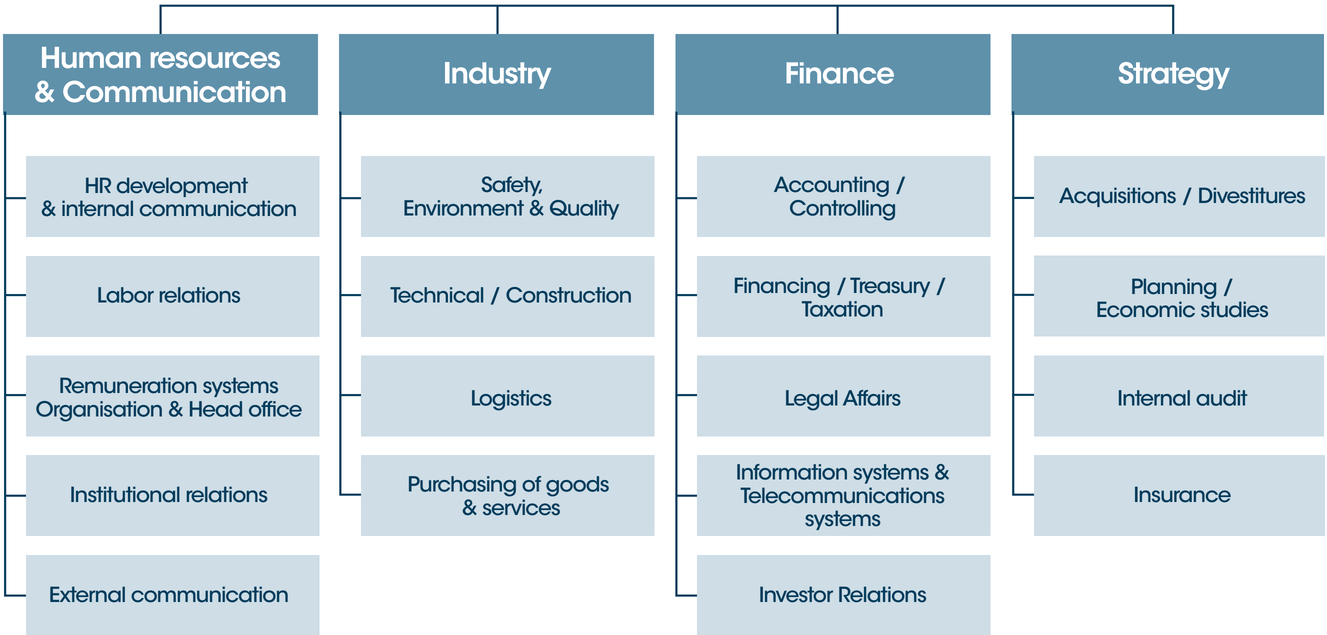
The simplified organization chart below shows the BUs operating within each business segment at the date of this reference document.



BUs rely on functional divisions to provide them with continuous support, mainly in the fields of accounting, taxation, legal services, information systems, human resources and communication.

These functional divisions are generally responsible, under the authority of the Executive Committee (see section 14.2 of this reference document), for the coherence and control of the Group and, in particular, the coordination of purchasing and logistics, as well as the maintenance of expertise in important areas such as safety, environment, R&D and process engineering. Some of these functional divisions, notably the "investor relations", "consolidation/ reporting", "internal audit" and "external communication" functions, operate for the entire Group.

The simplified organization chart below describes the Group's functional divisions at the date of this reference document.



Exceptions to the general organizational principles of the functional divisions are the "raw material purchasing" division and the "energy purchasing" division that report to the head of the Industrial Chemicals segment, as well as the R&D division that reports to the Chairman and Chief Executive Officer.

Sales by business segment

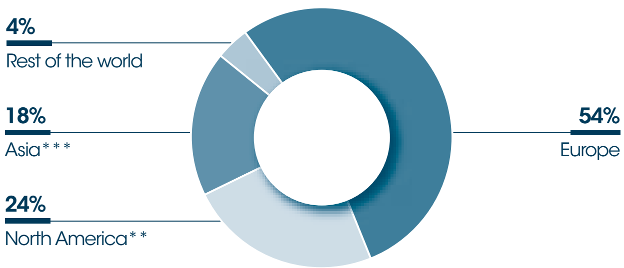
(In billions of euros)	2009		2008		2007	
Vinyl Products	1.01	23%	1,45	26%	1.42	25%
Industrial Chemicals	2.11	47%	2.58	46%	2.53	45%
Performance Products	1.32	30%	1.60	28%	1.72	30%
TOTAL	**4.44**	**100%**	**5.63**	**100%**	**5.67**	**100%**

Summary of the Group's main products in 2009 and their application areas

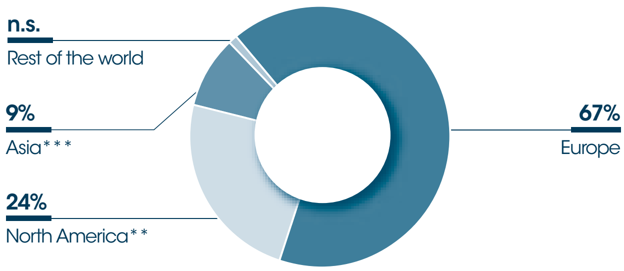
Vinyl Products	
Chlorine/Caustic Soda	Chemicals, aluminum, pulp and paper, detergents and soaps, solvents, and raw materials for fluorinated products
PVC	Construction, pipes, profiles, packaging, wire and cable, automotive
Vinyl Compounds	Wire and cable, bottles, automotive, medical
Pipes and Profiles (Alphacan)	Pipes and profiles
Industrial Chemicals	
Acrylics	Resins, emulsions for adhesives, paints and coatings, superabsorbents
Specialty Acrylic Polymers (Coatex)	Specialty polymers used as rheology modifiers
PMMA (Altuglas International)	Acrylic glass used in construction, the automotive industry, for advertising boards, in decoration, and the manufacture of sanitaryware
Thiochemicals	Chemical intermediates for animal feed, agrochemicals and pharmaceuticals, natural gas odorizers, petrochemicals, polymerization agents
Fluorochemicals	Refrigeration, air-conditioning, foams, solvents, intermediates, polymers
Hydrogen Peroxide	Hydrogen peroxide (pulp and paper bleaching, textile bleaching, electronics and water treatment), sodium chlorate, hydrazine hydrate and derivatives
Performance Products	
Technical Polymers	Technical polymers, including (i) polyamides used in the automotive industry, the aerospace and aeronautics industry, the oil industry, the electronics industry, and in the manufacture of hotmelts, (ii) fluorinated polymers (PVDF) used in construction, chemical engineering, the manufacture of paints and anti-corrosive coatings, and photovoltaic panels, (iii) functional polyolefins used in adhesives, the electrical and electronics industries, and packaging
Specialty Chemicals (CECA)	Separation of gases and liquids, adsorption/filtration, specialty surfactants
Functional Additives	Stabilizers and impact modifiers used in polymer converting, polymerization catalysts for polyethylene, PVC, polystyrene, cross-linking agents, tin-based intermediates

Information by geographic region

2009(3) SALES* : BREAKDOWN BY REGION



2009 (4) CAPITAL EMPLOYED: BREAKDOWN BY REGION



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

The breakdown of employees by geographic region is given in section 17.1.1 of this reference document.

(3) In 2008, sales by region were split as follows: 58% Europe, 22% North America, 16% Asia, and 4% Rest of the world.
(4) In 2008, capital employed by region was split as follows: 69% Europe, 23% North America, 7% Asia, and 1% Rest of the world.

4.3 Strategy and competitive advantages

4.3.1 Competitive advantages

The Group has solid competitive advantages with:

- first-class commercial and manufacturing positions: the Group is one of the world's leading players in most of its businesses. This is particularly true of Acrylics, PMMA, Fluorochemicals (gas and polymers), Hydrogen Peroxide, Thiochemicals, specialty polyamides (polyamides 11 & 12), hydrazine hydrate, tin-based PVC stabilizers, impact modifiers and PVC processing aids, additives for glass coatings, and organic peroxides. In the chlorochemicals and PVC sectors, the Group is one of the leading European players;
- high quality manufacturing assets and sound expertise in manufacturing processes: the Group relies on its strong manufacturing positions in Europe, North America and Asia to respond to demand from its customers as effectively as possible. Its technical knowledge of products and manufacturing processes enables the Group to leverage its current production facilities, and gives it a key advantage in the conquest of new markets. In addition, this expertise enables it to complete investment projects on time, on budget, and with great efficiency. The Group also has important R&D skills on which it can rely to launch new innovative products on the market, provide its customers with the technical support they need, or further improve the performance of its manufacturing processes;
- a solid balance sheet: at 31 December 2009, the Group's net debt was €341 million (*i.e.* 1.1 time the EBITDA for the year), compared to the shareholders' equity (Group share) of €1,791 million (representing a net debt to equity ratio of 19%, below its target of 40%);
- high quality teams who have proved their ability to manage complex industrial projects and successfully carry out restructurings needed by the lack of competitiveness that affected some product lines. Finally, the Group can count on personnel whose loyalty, professionalism and experience are widely recognized.

4.3.2 Strategy

The improvement in the Group's results between its operational launch in October 2004 and 2008, and its resilience in a challenging economic environment in 2009 confirm the soundness of the Group's strategy, based on the following three key areas:

- improve its competitiveness;
- prepare the future by developing growth relays in its best product lines. In particular, the Group is committed to:
  - continuing its development momentum in Asia especially in China. The Group therefore intends to spend between one third and half of its development capex in Asia in the next 3 years. Several investments in fluorogases, fluoropolymers and specialty acrylic polymers (Coatex) should come on stream in 2010 and 2011. Longer term thoughts in Asia will concern the following areas: secure production capacities of acrylic monomers, develop a manufacturing base in Thiochemicals, invest in polyamide polymerisation and compounding units and further expand H_2O_2. Asia should then represent 20% of Group's sales in 2012 and up to 22% in 2014,
  - increasing to 20% by 2010 the share of sales of new products less than five years old for the Performance Products business segment, and generate €400 million additionnal sales from new high margin products in 2014. Therefore, the Group intends to allocate 15% of its R&D efforts to long term breakthrough projects;
- refocus its portfolio of activities.

As part of improving its competitiveness, ARKEMA announced in 2007 an objective to reduce its fixed costs by €500 million in 2010 compared to 2005. The Group increased this objective twice to €600 million by 2010.

In the future the Group intends to pursue its efforts to improve productivity where needed in order to maintain and boost its competitiveness.

Furthermore, in order to prepare the future and develop its growth relays, ARKEMA pursued in 2009 its targeted growth projects in Asia and the launch of new products. In the field of innovation, a large number of achievements were announced:

- the acquisition in February 2009 of the American company Oxford Performance Materials which operates in polyether ketone ketone (PEKK), a range of ultra high performance technical polymers;
- the development announced in May 2009 of a self-healing elastomer based on the concept of supramolecular chemistry;
- the construction announced of a carbon nanotube (CNT) production plant with a 400 tonne/year capacity, which will be the only plant in the world to use an entirely biosourced raw material;
- the presentation in September 2009 of a nanostructured thermoplastic polymer for the encapsulation of new-generation photovoltaic modules marketed under the tradename Apolhya® Solar; and

- the launch of Rilsan® HT, the first high temperature thermoplastic offering a new and unique characteristic for polyphthalamide (PPA) based materials – flexibility –, thereby opening up a huge range of new technical applications while suitable for every processing technology (extrusion, blow moulding, injection moulding).

As for the management of its business portfolio, the Group intends to continue to refocus its portfolio of businesses, while maintaining a solid financial structure.

The Group announced in 2006 that asset divestitures could reach €300 million to €400 million (in terms of annual sales) over a three-year period, and that it planned to make targeted acquisitions of businesses representing a total amount in terms of annual sales of between €500 million and €800 million (i) to compensate for the reduction in sales resulting from such disposals, (ii) to boost the coherence and integration of its portfolio, and (iii) to reduce its cyclicality. Thus, at the date of this reference document, ARKEMA has already conducted divestments representing a total amount in terms of annual sales of around €480 million as well as acquisitions for a total amount in terms of annual sales of around €550 million, including the acquisition of certain North American acrylic assets from The Dow Chemical Company finalized on 25 January 2010, which accounted for sales of around US$450 million in 2009.

Beyond, over the five next years, ARKEMA intends to continue to enhance its portfolio of businesses and to develop in fast-growing regions. In terms of portfolio of businesses, ARKEMA intends to reduce the share of its Vinyl Products segment in its total sales down to 14% of Group's sales in 2014; Acrylics value chain should represent 20% of Group's sales, Industrial Chemicals without Acrylics (PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide) 36%, and Performance Products 30%.

These broad strategic guidelines are detailed below by business segment.

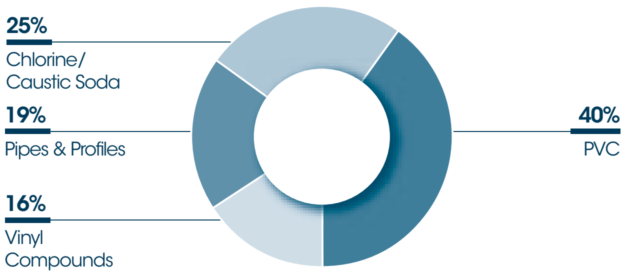
4.4 Overview of the Group's business segments

4.4.1 Vinyl products segment

Key figures

(In millions of euros)	2009	2008	2007
Sales	1,005	1,443	1,418
EBITDA	(31)	14	90
Recurring operating income	(80)	(25)	65
Capital expenditure *(gross)*	50	98	111

Breakdown of the segment's sales by BU (2009) [5]



General description of the segment's business

The Vinyl Products segment is made up of different businesses that are all part of an integrated chemical product chain, from the electrolysis of salt to PVC converting.

It includes in particular the production of chlorine and caustic soda, VCM (vinyl chloride monomer), chloromethanes, chlorinated derivatives and PVC, Vinyl Compounds, and the Pipes and Profiles business (Alphacan).

The Vinyl Products segment comprises four BUs: Chlorine/Caustic Soda, PVC, Vinyl Compounds, Pipes and Profiles (Alphacan).

This sector is faced with volatile market conditions and intense competition. End 2009, overcapacities in Europe increased due to the contraction of demand (i) in construction which weighed on PVC volumes and (ii) in some end-markets of caustic soda.

(5) *In 2008, the breakdown of the segment's sales by BU was as follows: 26% Chlorine/Caustic Soda, 39% PVC, 16% Vinyl Compounds, and 19% Pipes and Profiles.*

The chlorochemicals sector also faces a number of specific constraints:

- energy costs, as chlorine and caustic soda are produced by electrolysis that requires approximately 3 MWh of electricity per tonne produced;
- the cost of ethylene as around one tonne of ethylene is required for every two tonnes of PVC produced;
- the balance between chlorine and caustic soda that are necessarily produced in equal quantities, but for which demand varies independently;
- a mature market in Western Europe.

In 2005 the Group launched a consolidation plan for its Chlorochemicals and PVC activities. Completed in 2008, the plan included the closure of poorly performing production facilities and the debottlenecking of some plants. It entailed a 523 job reduction and capital expenditure of nearly €100 million.

Subsequently, the Group continued to improve its competitiveness, and announced in November 2008 a restructuring project entailing the closure of the aluminum chloride production unit in Jarrie (France), while also confirming in September 2009 a project to reorganise the Saint-Auban site (France). The plan entails the closure of vinyl chloride/vinyl acetate copolymer production, and a refocusing on to the site's other activities by adapting its organisation to the new manufacturing base. Several additional restructuring projects were also announced in Vinyl Compounds and in Pipes and Profiles. The various restructuring plans announced since the beginning of 2008 would entail the loss of over 435 positions. In 2009, the Group made several divestments representing total sales of around €70 million. Beyond, the Group intends to continue its cost and partnership strategy. Breakeven point should be reduced by €50 million and small non core businesses could be divested. In 2014, the relative weight of Vinyl Products should be reduced to 14% of ARKEMA's total sales.

CHLORINE/CAUSTIC SODA BU (6% OF TOTAL GROUP SALES IN 2009)

The Chlorine/Caustic Soda BU includes chlorine-caustic soda electrolysis (membrane, diaphragm and mercury processes) and production of downstream products (VCM, chloromethanes and chlorinated derivatives).

The majority of the chlorine and VCM produced is used internally within the Group, and sales to outside customers represent relatively low volumes.

Chloromethanes and chlorinated solvents are largely used as raw materials by the Fluorochemicals BU, the remainder being sold to outside customers.

Lastly, virtually all caustic soda produced is sold on the market.

For chlorine, the Group's main competitors are The Dow Chemical Company, Solvay, Akzo, Bayer and Ineos. The markets in which the Chlorine/Caustic Soda BU operates are mature.

The BU's production units are located in Europe.

The main raw materials and energy sources used by the Chlorine/Caustic Soda BU are:

- ethylene: the bulk of ethylene supplies is covered by a long-term contract with Total Petrochemicals France. Details of this contract are given in section 22.1.2 of this reference document. Ethylene is an essential raw material for this BU and security of supply is a critical factor for the Group;
- salt: the sites at Fos-sur-Mer and Lavera (France) are supplied with brine by a pipeline connecting them to the brine wells operated by the Group at Vauvert (France). In other cases, salt is bought in from outside suppliers;
- electricity: electricity supply to the chlorine-producing sites in France (Lavera, Fos-sur-Mer, Jarrie and Saint-Auban) is under contract through end 2010 (a description of the contracts with EDF is given in section 22.1.1 of this reference document). In view of the scale of electricity consumption for the chlorine-caustic soda electrolysis processes, the economic conditions to access to this energy resource are critical. From 2011, the Group should benefit for these sites of new supply conditions for electricity which it estimates as competitive at the date of this reference document.

In June 2009, the Group closed down definitively the aluminum chloride production unit in Jarrie (France), and sold the aluminum chloride business to Gulbrandsen Chemicals representing annual sales of approximatively €24 million.

Finally, through its 12.9% stake in a jointly owned chlorochemical company in Qatar (QVC), the Group will review development opportunities that may arise in the Middle East.

PVC BU (9% OF TOTAL GROUP SALES IN 2009)

The PVC BU includes production of general purpose and specialty PVC.

A proportion of PVC volumes is used internally by Alphacan and the Vinyl Compounds BU, with remaining volumes sold on the market.

The markets supplied by the PVC BU in Europe are mature markets.

Based on the Group's production capacities, all of which are located in Europe, the Group ranks number three for PVC production in Europe [(6)], where its main competitors are Ineos, Solvin, Tessenderlo, Vinnolit and Shin Etsu.

In 2009, the Group continued to improve its competitiveness with:

- the confirmation in September of the proposed closure of the vinyl chloride/vinyl acetate copolymer production plant in Saint-Auban (France), and the adaptation of the site's organisation to its new manufacturing base;
- the announcement in November of the proposed closure of a 30 kt PVC production unit on the Balan site (France), and the site's refocusing on the two remaining production units totalling 295 kt capacity which will be upgraded to further improve their productivity.

(6) Source: Parpinelli Tecnon ATEC 2008.

VINYL COMPOUNDS BU (4% OF TOTAL GROUP SALES IN 2009)

The Vinyl Compounds BU manufactures and markets a wide range of products ready for use that are obtained by mixing PVC and additives (notably plasticizers, stabilizers and colorants).

This BU uses a large number of raw materials, some of which partly come from the Group's manufacturing units (PVC, plasticizers, stabilizers, and modifiers).

The Group considers that it is one of the leading players in the European compounds market, which represents approximately 25% of PVC volumes. Its main competitors are Ineos, Solvay and LVM. Together with the Group, these three companies account for some 65% of European production capacity (7) (estimated capacity of 1.6 million tonnes).

This BU's main production sites are located in Europe (France, Germany, Belgium, Spain and Italy). It also has one production site in Vietnam, a production plant in China, and, since 2009, a production plant in Mexico.

In order to maintain competitiveness in this sector, the Group has sought to concentrate on its best performing sites. Since 2004 the Group has indeed taken major steps to improve the competitiveness of its Vinyl Compounds activity. These steps included the restructuring of the Vinyl Compounds activities at the Saint-Fons site (France) in 2005, the rationalisation in 2007 and 2008 of Resilia's Novellara and Samarate sites (Italy), the closure of Dorlyl (France) in 2008, and in March 2009 the divestment of its business at the Vanzaghello industrial site (Italy) to Industrie Generali Spa representing annual sales of approximately €22 million.

The Vinyl Compounds BU is now seeking to move into higher value-added application fields (specialty PVCs and in particular PVC slush for automotive applications such as dashboards), and more profitable markets.

In the field of PVC slush for the automotive market, the Group inaugurated two new production lines in Changshu (China) in October 2007 and in Matamorros (Mexico) in early 2009. Capacity at the Changshu plant was doubled in the first half of 2008.

PIPES AND PROFILES BU (ALPHACAN) (4% OF TOTAL GROUP SALES IN 2009)

The Pipes and Profiles BU consists of the Alphacan group of subsidiaries.

Alphacan carries out its businesses downstream from the production of PVC. It manufactures two main types of products, pipes and profiles, which are principally obtained by the extrusion of PVC compounds, which Alphacan manufactures itself.

The main raw materials used by Alphacan are PVC and various additives such as mineral fillers, stabilizers and colorants. Alphacan obtains most of its PVC supply from the Group's production units, but also buys in some PVC from other producers.

Alphacan has production sites in five European countries. Alphacan's main end-markets are construction and public works, where its products are used for drinking water conveyance, waste water drainage, sewage, irrigation, windows, etc. The growth of these markets is therefore closely linked to that of these economic sectors.

Alphacan operates in two markets with different trends: pipes and profiles.

Pipes, which are marketed in France, Germany, the Benelux countries and Spain, represent a mature market and a highly competitive industry with very high levels of standardization. Alphacan estimates that it ranks sixth in the European market for PVC pipes. Its main competitors are Wavin, Pipelife, Uponor, Tessenderlo and Uralita.

In pipes, Alphacan's strategy is based on maintaining its positions and improving its competitiveness.

In profiles, Alphacan sells its products mainly in Southern Europe. These markets have attractive growth prospects thanks to the potential for PVC profiles to replace other materials. The main players in this market are Profine, Deceuninck, Veka, Rehau and Aluplast.

In this sector, Alphacan continues to expand, with a particular focus on higher value-added products.

Since 2007, Alphacan has implemented a number of restructuring plans concerning the following sites:

- Chantonnay (France) (reorganisation announced in January 2007);
- Gaillac and Alphacan head office in La Celle Saint-Cloud (France) (reorganisations announced in June 2008);
- Hasparren (France) (reorganisation announced in December 2008);
- Miranda (Spain) and Ehringshausen (Germany).

These restructuring operations, aimed at restoring the competitiveness of the BU, entail (i) the cessation of production of low-margin products, (ii) the development of high value-added activities through growth investments and the implementation of a more targeted marketing policy, and (iii) the optimisation of support functions. These restructuring operations announced in 2008 resulted in a reduction of 181 positions.

Finally, in January 2009, Alphacan finalized the sale of its Sanitary Heating Pipes business (Nevers site - France) to the French company COMAP, a subsidiary of the Dutch group Aalberts Industrie NV. Sales in 2008 for this business were of the order of €25 million.

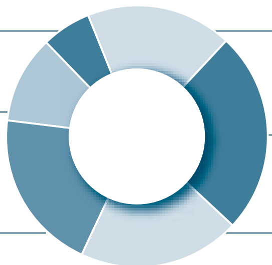
(7) *Source: ARKEMA internal estimate.*

4.4.2 Industrial Chemicals segment

Key figures

(In millions of euros)	2009	2008	2007
Sales	2,109	2,582	2,529
EBITDA	306	341	289
Recurring operating income	177	218	178
Capital expenditure *(gross)*	127	146	124

Breakdown of the segment's sales by BU (2009) (8)



General description of the segment's business

In 2009, the Industrial Chemicals segment comprised six BUs: Acrylics, Specialty Acrylic Polymers (Coatex), PMMA (Altuglas International), Thiochemicals, Fluorochemicals, and Hydrogen Peroxide.

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

On 25 January 2010 the Group finalized the acquisition of certain acrylic assets from The Dow Chemical Company in North America, in particular the Clear Lake monomer site (Texas) and the acrylic latex (emulsions) activities, for an amount valuing these assets at US$50 million (2009 proforma sales for all these activities totalled some US$450 million). This acquisition positions Arkema as the world's 3rd largest producer (9) of acrylic acid (number 2 in North America (10)) as well as the 2nd leading supplier of latex in the United States (10). It will enable ARKEMA to significantly boost its presence in North America in acrylic monomers, and to secure a leading position in acrylic latex, one of the most important application areas in this sector. It also offers a particularly interesting potential for synergies with Coatex in the field of coatings (paints, etc.). The Group has stated that these various activities should contribute positively to EBITDA and net income in 2010 and achieve 12% EBITDA margin three years after the acquisition, and 14 to 15% EBITDA margin after 5 years. Following this acquisition, ARKEMA will continue to reinforce its acrylic value chain with 2 priorities: develop world scale competitive monomer production sites and increase downstream integration to reduce cyclicality. The acrylic acid and esters activities became part of the Acrylics BU, while the acrylic latex business represents ARKEMA's new Emulsion Systems BU with effect from 25 January 2010.

In the various product chains of the Industrial Chemicals segment, the Group ranks among the world's leading companies and has production units in Europe and North America for most of its main products (acrylic acid and derivates, methyl methacrylate (MMA), PMMA, fluorochemicals, hydrogen peroxide, and sulfur derivatives, etc.). The Group is also present in Asia and already has an industrial base there for the production of fluorochemicals, hydrogen peroxide, and PMMA.

This segment benefits from a certain degree of integration with the Group's other businesses. For example, chlorinated solvents and chloromethanes are used as raw materials for fluorochemicals (some of which are used in the manufacture of technical polymers), hydrogen peroxide is partly used in the production of organic peroxides, and certain acrylic and thiochemical derivatives are used in the manufacture of plastic additives.

The Industrial Chemicals segment plans to continue to expand its business, and to strengthen its global positions by building on new facilities in Asia, carrying out targeted debottleneckings in Europe and North America, creating cooperation projects with its major partners, and boosting its downstream integration.

ACRYLICS BU (9% OF TOTAL GROUP SALES IN 2009)

The Acrylics BU's main products are acrylic acid and its derivatives, oxo-alcohols, phthalic anhydride and dioctylphthalate.

The main downstream markets for the Acrylics BU are coatings (paints, UV curing, etc.), superabsorbents, plastic additives, water treatment, paper and adhesives.

The main raw materials used by the Acrylics BU are propylene and orthoxylene, the supply of which is covered by medium- and long-term contracts. The Group's main supplier in France is Total Petrochemicals France, under terms set out in section 22.1.2 of this reference document. Propylene is an essential raw material for the Acrylics BU. Its security of supply is a critical factor for the Group.

(8) In 2008, the breakdown of the segment's sales by BU was as follows: 23% Acrylics, 26% PMMA, 18% Thiochemicals, 17% Fluorochemicals, 10% Hydrogen Peroxide, and 6% Specialty Acrylic Polymers (Coatex).

(9) Source: SRI-CEH Acrylic Acid & Esters, July 2007 and Arkema internal data 2009.

(10) Source: ARKEMA internal estimate.

The main competitors of the Acrylics BU are BASF, The Dow Chemical Company, and Nippon Shokubai. The world growth anticipated in this market over the coming years can be estimated on average at some 4% per year (in volume terms) (10). Following a tense period peaking in 2005, the start up of new production plants in Asia had led to a steep decline in acrylics margins, which was further exacerbated in 2009 by weaker market conditions. From 2010, Acrylic margins could improve gradually.

As part of the acquisition of certain acrylics assets from The Dow Chemical Company in North America, the acrylic acid and esters activities were included in the Acrylics BU on 25 January 2010. This acquisition ranks ARKEMA in 3rd place in the world (11) among acrylic acid producers (number 2 in North America (12)). It enables Arkema to boost its presence significantly in acrylic monomers in North America.

The Acrylics BU plans to build on its strong marketing positions and technical expertise to strengthen and expand its businesses globally. In the mid-term, the Group considers securing production capacities in Asia.

ARKEMA started up a new 50,000 tonne 2-ethyl hexyl acrylate production unit on the Carling-Saint-Avold site (France) operating a new innovative process developed by ARKEMA's R&D and Process departments. This new unit is helping meeting the growth in the 2-ethyl hexyl acrylate world market, one of the main applications being the manufacture of pressure sensitive adhesives.

Finally, in March 2009, ARKEMA and hte Aktiengesellschaft, a company specialising in high throughput experimentation, announced the success of their joint research project on catalysis for the conversion of glycerol into acrolein and acrylic acid. Production of acrolein and acrylic acid from biomass processing falls in line with ARKEMA's strategy for the development of a sustainable chemistry based in particular on more efficient processes and on the use of renewable raw materials.

EMULSION SYSTEMS BU

Following the acquisition of certain acrylic assets from The Dow Chemical Company in North America, comprising the acrylic latex business, this business became ARKEMA's Emulsion Systems BU on 25 January 2010. This BU oversees the activities of the Saint-Charles (Louisiana), Alsip (Illinois) and Torrance (California) sites. It produces emulsions from a range of monomers: acrylic, vinyl acetate, methyl methacrylate, etc. These emulsions are used primarily in architectural coatings, a sector in which the BU is the 2nd leading producer in North America (13), as well as in applications such as adhesives and sealants, textile, road paints, etc.

SPECIALTY ACRYLIC POLYMERS BU (COATEX) (3% OF TOTAL GROUP SALES IN 2009)

The Specialty Acrylic Polymers BU manufactures specialty polymers, mainly acrylic based, used as dispersants and thickeners. The 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 and Asia.

Coatex's business offers strong synergies with ARKEMA's in raw material, process and R&D terms, and represents the natural downstream activities of ARKEMA's acrylic monomer production sites in Europe and in the US.

Since its acquisition by ARKEMA in October 2007, Coatex has been able to speed up the pace of its development, in particular through:

- the acquisition in June 2008 of the Ethacryl activity from LyondellBasell which has boosted its position in the concrete and plaster additives markets;
- the announcement in July 2009 of the construction of a specialty acrylic polymer production plant on ARKEMA's Changshu site (China) at an investment cost of some €15 million. This unit should start up by mid 2011; and
- the integration in January 2010 of the Polyphobes acrylic thickeners business from The Dow Chemical Company in North America.

Finally, ARKEMA and Omya, Coatex's main customer, have developed strategic cooperation, in particular in technical and marketing fields.

PMMA BU (ALTUGLAS INTERNATIONAL) (12% OF TOTAL GROUP SALES IN 2009)

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

This 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.

The main products include various grades of PMMA resin as well as cast and extruded sheet. Altuglas International sells its products into a wide range of markets, of which the most important are construction, automotive, sanitaryware, commercial display, electronics, and household goods.

The Group is a leading producer of PMMA in the world (14). Its main competitors are Evonik, Mitsubishi Rayon Corp. and Sumitomo.

In June 2009, ARKEMA and its subsidiary Altuglas International announced a project to reorganise the Carling site (France) and the PMMA sheet activity of Altuglas International in Europe. The project entails the shutdown of the MMA plant in Carling and the consolidation of MMA production on the Rho site (Italy). As regards the PMMA business, Altuglas International plans to refocus in Europe on higher added value sheet production. The project results in the loss of 163 positions on ARKEMA's Carling site and 76 positions on the Altuglas International Bernouville (France) site. The MMA production plant was definitely closed down in December 2009.

In order to bolster its leading position, ARKEMA invested in 2009 to increase its compounding capacity at its Bristol facility (Pennsylvania).

Finally, in March 2009, the leading PMMA brand name – Altuglas® – launched on the European market its new range of "Think Thick" Altuglas® blocks. This range of thick acrylic glass blocks is produced in its new European production unit in Saint-Avold (France), which was opened in early February 2009.

(10) Source: ARKEMA internal estimate.

(11) Source: SRI-CEH Acrylic Acid & Esters, July 2007 and ARKEMA internal data 2009.

(12) Source: Parpinelli Tecnon ATEC 2008.

(13) Source: ARKEMA internal estimate.

(14) Source: Parpinelli Tecnon ATEC 2008.

THIOCHEMICALS BU (9% OF TOTAL GROUP SALES IN 2009)

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

The main markets are animal feed, polymers, pharmaceuticals, cosmetics, natural gas odorizers, solvents and petrochemicals.

Today, the Group is the world number one in this sector [15]. Its main competitor is Chevron Phillips Chemical. The Group also faces competition from certain local players on some products, and from upstream integrated producers of methionine (Evonik, Adisseo, etc.).

The Thiochemicals BU has production facilities in Europe and the United States.

In accordance with the Group's strategy, the Thiochemicals BU intends to further consolidate its world rankings in its main product lines. Accordingly, the Thiochemicals BU has implemented a number of development projects, while initiating a programme to refocus its portfolio. It has also carried out significant industrial restructuring to adapt to its changing markets, and in particular to competition from Asia.

In this regard, the Thiochemicals BU has reinforced its position in the United States by starting, in May 2005, the Sulfox project at Beaumont in partnership with its customer, Novus. This plant produces MMP 3-methyl thio propionaldehyde, a methionine precursor. Since start-up, production levels and yields have risen steadily. The contract with Novus is described in section 22.1.3 of this reference document.

The Thiochemicals BU will have to address in France over the long term the consequences of the depletion of the Lacq natural gas field, anticipated for 2013, that currently provides sulfur to its Lacq facility. These consequences are described in section 6.2 of this reference document.

In July 2008, ARKEMA acquired the American company Odor-Tech which specialises in gas odorisers. This activity helps ARKEMA consolidate its ranking in the North American market.

Meanwhile, ARKEMA at the end of 2009 closed down production of methyl ethyl ketone at the La Chambre (France) industrial site and sold the marketing and sales assets to Sasol Solvents Germany GmbH.

FLUOROCHEMICALS BU (9% OF TOTAL GROUP SALES IN 2009)

The Fluorochemicals BU manufactures and markets a range of HCFCs (hydrochlorofluorocarbons) and HFCs (hydrofluorocarbons) under the brand name Forane®.

These products are mainly used in two markets: refrigeration (notably in construction, automotive and retailing) and foams (blowing agents for polyurethane foam, for example). Some are used as raw materials for fluorinated polymers (notably PTFE polytetrafluoroethylene and PVDF polyvinylidene fluoride).

In Fluorochemicals, the Group ranks second in the world [16]. Its main competitors are DuPont, Ineos, Solvay and Honeywell.

For the Group, Fluorochemicals are a worldwide business with production sites in Europe (France and Spain), the United States, and China.

Changes in regulations concerning HCFCs in developed countries will lead to a reduction in their use in emissive applications (foam expansion, for example), permitted uses being limited to maintenance. The regulatory framework for the use of HCFCs in maintenance varies from one region to another: total ban in Europe, and regulated sale by marketing rights in North America. For new equipment and foam expansion, HCFCs are being replaced by HFCs. Finally, the use of HCFCs remains permitted in developing countries.

To take these regulations into account, the Fluorochemicals BU develops new HFC blends (32, 125, 134a, 143a, etc.) and new substitute products for foam. Together with HFC-32, HFC-125 is an essential component of new generation refrigerant blends, which include the R-410A blend poised to replace HCFC-22 in air-conditioning. Similarly, HFOs, developed by the Fluorochemicals BU, are 4th 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.

In 2007 the Fluorochemicals BU has carried out a significant investment, of the order of US$45 million, to convert one of its two HCFC-140 production lines at Calvert City, United States, to HFC-32 production. This production line is helping the BU meet the fast-growing demand in this area.

The Fluorochemicals BU is also seeking to take advantage of the growth potential in emerging economies, particularly those in Asia. Accordingly, after increasing by 50% its Forane® 22 production capacity at its Changshu site in China in late 2006, the Group announced in September 2007 the creation of two joint ventures in partnership with the Daikin group to produce and market new generation refrigerant fluids in the Asia Pacific region, and so create the fluorinated gas leader in the region. These are:

- Arkema Daikin Fluorochemicals Co. Ltd, a 60% ARKEMA/40% Daikin joint venture set up for the production and marketing of HFC-125. Production, at a world-scale capacity, the first of its size in Asia, is located on ARKEMA's Changshu site (China), for start-up in the first half of 2010;
- Daikin Arkema Refrigerants Asia Ltd, a 60% Daikin/40% ARKEMA joint venture for the production and marketing in Asia Pacific of new generation HFC refrigerant fluid blends since 2008.

The Group launched in 2007 a project for the future of the Pierre-Bénite plant (France) designed to turn it into the main development hub for ARKEMA's fluorochemicals activities in Europe by restoring its competitiveness over the long term. With a reduction of 196 positions, the plan has helped consolidate the best performing activities, while closing down some production plants.

On 15 April 2008 the Group announced a project to reduce greenhouse gas emissions from its Forane® 22 production plant at its Changshu industrial site in China, which entails incinerating the HFC-23 by-product from HCFC-22 manufacture.

The project was registered in 2008 with the Executive Board of the Clean Development Mechanism, a body of the United Nations

(15) Source: ARKEMA internal estimate.

(16) Source: SRI CEH Fluorocarbons, June 2008.

Framework Convention on Climate Change (UNFCCC). The incinerator became operational mid-2008.

The annual reduction in emissions has been estimated at some 6 million tonnes CO_2 equivalent, including a quota of 3.4 million tonnes eligible for certified emission reductions (CER) allocated by UNFCCC, subject to certification by an independent body. In 2009, the Group sold all its CERs.

The project is part of the Group's ongoing effort in the field of sustainable development, and results in a reduction of over 60% in its greenhouse gas (GHG) emissions. With the incinerator now in service, the Group's global GHG emissions have been divided by six since 1990, the baseline year of the Kyoto Protocol.

Finally, the Group has been supplying since early 2010 HCFC-22 to the company Dyneon in Europe as part of a long-term agreement announced on 19 February 2009. HCFC-22 is the raw material of PTFE (PolyTetraFluoroEthylene) and various fluoroelastomers.

HYDROGEN PEROXIDE BU (5% OF GROUP SALES IN 2009)

The Hydrogen Peroxide BU has three product lines: hydrogen peroxide, sodium chlorate and sodium perchlorate, hydrazine hydrate and its derivatives.

Hydrogen peroxide is a worldwide business for the Group, based on production units in Europe (France and Germany), North America (Canada and the United States), and Asia (China).

Its main end-markets are pulp and paper, chemical products (including organic peroxides in the case of the Group), textiles, and electronics. Its inherent qualities, in particular its neutrality vis-à-vis the environment, give this product interesting growth prospects (average worldwide growth estimated at 4% a year) [17]. Energy is an important component of the production costs of this business.

The Group ranks third in the world for production of hydrogen peroxide [18], its main competitors being Evonik, Solvay, FMC and EKA.

Sodium chlorate, used mainly in the pulp and paper industry, is produced at only one site. The Group is a regional player in the market for this product.

To strengthen its global positions and take advantage of growth in the regions showing the strongest potential, the Group is carrying out various investments in Europe, North America and Asia. In 2008, the Group successfully brought on stream the capacity extension of its plant in Shanghai, China, taking it to 80,000 tonnes per year. This extension was carried out as part of the Arkema Shanghai Hydrogen Peroxide joint venture, in which Arkema S.A. holds an indirect 66.6% stake and Shanghai Coking 33.3%.

4.4.3 Performance Products segment

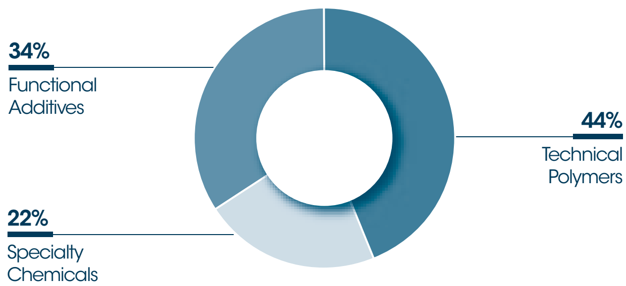
Key figures

(In millions of euros)	2009	2008	2007
Sales	1,318	1,602	1,723
EBITDA	102	177	184
Recurring operating income	11	92	97
Capital expenditure *(gross)*	121	86	83

(17) Source: ARKEMA internal estimate.

(18) Source: SRI CEH Hydrogen Peroxide February 2009.

Breakdown of the segment's sales by BU (2009) (19)



General description of the segment's business

The Performance Products segment comprises three BUs: Technical Polymers, Specialty Chemicals (CECA), and Functional Additives.

These BUs share the same objective, which is to provide, in the various markets concerned, technical solutions adapted to the needs expressed by their customers.

The Group has very strong positions in the various market niches covered by these BUs. This is particularly true of polyamides 11 and 12, PVDF, molecular sieves, PVC additives (tin-based heat stabilizers, acrylic impact modifiers and processing aids) and organic peroxides. A significant portion of the Group's products in these areas is sold under well-known brand names.

Benefiting from its manufacturing facilities on three continents, the Group operates in these markets on a global basis.

Most of the Performance Products segment's BUs have a certain degree of integration with the Group's other business activities. For example, the precursor of PVDF is produced by the Fluorochemicals BU, hydrogen peroxide is a raw material for organic peroxides, and certain acrylic and thiochemical derivatives are used in the production of PVC additives.

The key success factors for the Performance Products segment lie in the quality of its relations with its customers, its ability to provide innovative solutions resulting from its R&D efforts, to develop new, high value-added products, and its capacity to take advantage of the potential of growing regional markets, in particular Asian markets.

Since 2006, the priority for this segment has been to improve its results by refocusing its activities portfolio on its strong product lines, boosting its presence in Asia, and developing new products resulting from innovation. In this regard, the segment has set itself an objective to increase to 20% by 2010 the share of its sales generated by new products less than 5 years old. The segment has initiated an active portfolio management by divesting in 2007 its non-core activities in agrochemicals and urea formaldehyde resins, and in May 2009 two product groups, ceramic opacifiers and polyester resin catalysts, to the Singapore-based company Hoe Seng Co Pte Ltd. Additionally, the Group is targeting bolt-on acquisitions to strengthen its portfolio. Accordingly, at the beginning of 2009, the Group acquired the organic peroxide business from the American company GEO Specialty Chemicals (Functional Additives BU). Finally, the Group has undertaken a number of restructuring actions across the segment's BUs.

TECHNICAL POLYMERS BU (13% OF TOTAL GROUP SALES IN 2009)

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

The specialty polyamides include polyamides 11 and 12 which are used mainly in the transport, textile and oil and gas industries. Other products include Orgasol® ultrafine powders, used in cosmetics and paints, Pebax® (polyether block amide), which is used in sports equipment, and copolyamides, used in the textile industry. The Group is the world leader in the production of specialty polyamides (polyamides 11 and 12) (20), where its main competitors are Evonik and EMS.

PVDF is used in architecture, chemical processes, electricity, electronics, and photovoltaic panels. The Group is the world leader in this product (21), with Solvay as its main competitor.

Finally, the functional polyolefins range of products is used primarily in adhesives, the electrical and electronics industries, packaging, and automotive.

In 2009, the Group announced the launch of several very high performance polymers, including:

- Rilsan® HT, the first high temperature thermoplastic with a new and unique characteristic for polyphtalamide (PPA) based materials: flexibility, thereby opening up a wide scope of new technical applications while suitable for every processing technology (extrusion, blow moulding, injection moulding);
- Rilsan® Clear G830 Rnew, the first fully transparent biosourced high performance polyamide;
- a nanostructured thermoplastic polymer for the encapsulation of new-generation photovoltaic modules marketed under the brand name Apolhya® Solar;
- several new Pebax® grades, in particular Pebax® Clear and Pebax® MH2030 and MV2080, two intrinsically dissipative polymers (IDP) used as antistatic additives in plastics and in packaging;
- Rilsan® PA11, the first high performance polyamide to be approved in the United States for the manufacture of pipes for high pressure natural gas, and
- new extruded foam in Kynar® PVDF, 30% lighter than that made from traditional Kynar® resin.

Between 2007 and 2009 the Group announced or carried out a number of targeted development projects in its higher value-added product lines. These projects fit in perfectly with the BU's strategy which consists in bringing innovative products to the market, expanding the product range, and carrying out targeted capacity increases. The projects include:

- the production capacity increase in Orgasol® ultrafine polyamide powders at its Mont site, France;

(19) In 2008 the breakdown of the segment's sales by BU was as follows: 47% Technical Polymers, 21% Specialty Chemicals, and 32% Functional Additives.

(20) Source: ARKEMA internal estimate.

(21) Source: SRI CEH Fluoropolymers, December 2008.

- the doubling of its production capacities for high-performance polyamides at its Changshu site, China;
- a capacity extension of over 2,000 tonnes per year for Kynar® PVDF, i.e. a capacity increase of almost 15%, at its Calvert City site (United States);
- the proposed construction of a new VF2/PVDF production plant at Changshu (China), due to come on stream in the first half of 2011.

In order to improve its competitiveness, the Technical Polymers BU announced in the second quarter 2007 the closure, in two stages, of its copolyamide granule and powder production plant at Bonn (Germany). The powder activity was closed down in late 2007, and the site as a whole was closed mid-2009. The shutdown resulted in the loss of 83 positions in total.

SPECIALTY CHEMICALS BU (CECA) (7% OF TOTAL GROUP SALES IN 2009)

The Specialty Chemicals BU takes the form of the CECA subsidiary and covers two main areas: surfactants and interface agents, on the one hand, and adsorption and filtration, on the other.

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

The second area of business encompasses a number of mineral products: molecular sieves (for which CECA is the world's number two) [22], diatomite, activated carbon, and perlite. They are mainly used as adsorption and filtration aids in the following sectors: food industry, chemicals, construction, industrial gas separation, pharmaceuticals, and environmental protection.

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

In order to take advantage of prospective market growth and strengthen its global position, CECA launched in 2007 its new specialty molecular sieves production lines at its Inowroclaw plant in Poland and its Honfleur plant in France, thereby increasing by 30% its production capacities. Additionally, CECA announced in April 2008 the acquisition of the "Activated Carbon and Regeneration" business from SNF Italia, a subsidiary of the SNF FLOERGER group. This activity, based in Italy, generates annual sales of the order of €4 million in the European environment market.

CECA announced at the end of 2008 the disposal of its quaternary esters and phosphoric esters activity to the American company Stepan, which account for annual sales of the order of €8 million. CECA has also announced the acquisition of part of the "amine derivatives" business of the Japanese company Kao Chemicals Europe.

CECA also announced in February 2009 the acquisition of the Italian company Winkelmann Mineraria, whose main activity is the production of expanded perlite for the agro-food market, with sales of the order of €6 million in 2008.

Finally, in recognition of its R&D work, CECA was presented in 2009 with an ICIS Innovation Award, Best Product Innovation category, for its Cecabase® RT additives for "green roads". Additionally, the judges having decided for the first time to single out an overall winner across all categories, this project was selected from a record number of applications as the best innovation from all categories. These surfactant additives are incorporated in small quantities into the bitumen/mineral aggregate mix to help reduce energy consumption (by up to 50%) by allowing a 40 to 50°C decrease in production temperatures. Furthermore, these additives improve working conditions, while also reducing emissions of carbon dioxide, dust, volatile organic compounds (VOCs), and nitrous oxides during both the production and the application of the bitumen mix.

FUNCTIONAL ADDITIVES BU (10% OF TOTAL GROUP SALES IN 2009)

This BU brings together a number of product lines (organic peroxides, PVC additives, additives for coatings, and catalysts).

Organic peroxides are initiators that are used in several areas: commodity polymers (initiators of the reaction for low-density polyethylene, PVC, and polystyrene), acrylic polymers, unsaturated polyesters, or the cross-linking of rubber. The Group estimates that it ranks second worldwide in this sector. Its main competitors are AkzoNobel and United Initiators.

PVC additives include impact modifiers, processing aids and heat stabilizers. In the coatings sector, the Group sells products used in flat glass and glass bottles. The Group is one of the world's leading companies in each of its main applications. For example the Group ranks second worldwide in the production of tin-based heat stabilizers for PVC [23], and is the leading US manufacturer of impact modifiers [24]. In tin-based stabilizers, its main competitors are The Dow Chemical Company and Chemtura.

Additives are produced in Europe, North America and Asia.

To meet strong growth in Asian construction and packaging markets, and to boost its leading position in this region, the Group carried out in 2008 the doubling of production capacity for PVC heat stabilizers in Beijing (China). This extension has increased capacity to 12,000 tonnes per year, making the Beijing plant the largest in Asia.

(22) Source: ARKEMA internal estimate.

(23) Source: SRI CEH Organometallics, October 2008.

(24) Source: SCUP Plastics Additives, December 2009.

Additionally, in order to restore its competitiveness, the Functional Additives BU:

- carried out in 2008 a plan for the restructuring of the organic peroxide activity at the Crosby site (United States), resulting in a reduction of 26 positions;
- announced in 2008 the closure of its Axis site (United States, Alabama) producing methacrylate-butadiene-styrene (MBS) impact modifiers marketed under the tradename Clearstrength® with a view to concentrating its world production within the Vlissingen facility in the Netherlands, resulting in cost savings from 2009;
- sold in May 2009 to the Singapore-based group Hoe Seng Co Pte Ltd two product lines, ceramic opacifiers and polyester resin catalysts produced on the Guangzhou site (China), which employ 105 people and account for annual sales of the order of €13 million.

At the beginning of 2009, the Group acquired the organic peroxide business from the American company GEO Specialty Chemicals, representing annual sales close to US$30 million.

5 Information about the Company

5.1 Information about the Company

5.1.1 Company name

The Company's name is Arkema.

5.1.2 Registration place and number

The Company is registered at the Nanterre Trade and Companies Registry (*Registre du commerce et des sociétés de Nanterre*) under registration number 445 074 685.

The Company's SIRET number is 445 074 685 00030. Its NAF code is 2016 Z.

5.1.3 Date of incorporation and term

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.

5.1.4 Registered office, legal form, and applicable legal regime

Registered office: 420, rue d'Estienne d'Orves, 92700 Colombes

Telephone: +33 1 49 00 80 80

The Company is a French *société anonyme* with a Board of Directors governed by the legislative and regulatory provisions of the *Code de commerce*.

5.1.5 Major events in the development of ARKEMA's activities

Please refer to section 4.4 of this reference document.

5.1.6 Recent events

5.1.6.1 Events between 31 December 2009 and the review of the accounts by the Board of Directors on 3 March 2010

See note 29 of the consolidated financial statements at 31 December 2009 in chapter 20 of the present reference document.

5.1.6.2 Events since the review of the accounts by the Board of Directors on 3 March 2010

On 10 March 2010 Arkema France made the irrevocable undertaking to get electricity supply in France from Exeltium. However, the supply contract's implementation is subject to the lifting of several suspensive conditions (including arranging the financing of Exeltium and obtaining an investment grade rating). Under the terms of the contract, electricity will begin to be supplied to Arkema France as from 1 January 2011 for a period of 20 years, which may be reduced to 10 years should Arkema France exercise its right to suspend the contract.

5.2 Capital expenditure

5.2.1 Description of the main capital expenditure made by the Group over the past three years

The Group's capital expenditure (in intangible and tangible assets) amounted to €325 million in 2007, €335 million in 2008, and €301 million in 2009. On average [25], the Group has therefore invested around €320 million per year. Over this period, capital expenditure has been focused on (i) the maintenance of industrial facilities, safety and environmental protection, accounting for approximately 47% of the total, and (ii) development projects, in the form of either major projects or productivity improvements in existing facilities, accounting for approximately 53%.

On average [25], 27% of investments were spent on the Vinyl Products segment, 42% on the Industrial Chemicals segment, and 31% on the Performance Products segment. On average [25], 69% of these investments were made in Europe, 19% in North America, and 12% in Asia.

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

Year	BU	Description
2007	**Chlorine/Caustic Soda**	Debottlenecking of VCM production plant at Fos-sur-Mer (France) as part of Vinyl Products segment consolidation plan
	Thiochemicals	Increase in DMDS capacity at Lacq-Mourenx (France)
	Fluorochemicals	Start-up of new HFC-32 production plant at Calvert City (United States)
	Hydrogen Peroxide	Increase in hydrogen peroxide production capacity at Jarrie (France)
	Technical Polymers	Increase in polyamide ultrafine powder production capacity at Orgasol® plant at Mont (France) Doubling of high performance polyamide production capacity at Changshu (China) Increase in Kynar® PVDF production capacity at Calvert City (United States)
	Specialty Chemicals	Start-up of new specialty molecular sieve production lines at Inowroclaw (Poland) and Honfleur (France)
2008	**Chlorine/Caustic Soda**	Installation of electrolysis plant at Saint-Auban (France) as part of Vinyl Products segment consolidation plan
	Hydrogen Peroxide	Doubling of hydrogen peroxide production capacity at Shanghai plant (China) Optimization of process and production capacity increase for azoic initiators at Lannemezan (France)
2009	**Acrylics**	New 2-ethyl hexyl acrylate plant at Carling (France)
	PMMA	Increase in acrylic resin blends capacity at Bristol (United States)
	Technical Polymers	Optimisation and increase in monomer capacity for Rilsan® 11 polyamide at Marseille (France)

(25) Over the past 3 years.

5.2.2 Description of main current investment projects

The Group's main current investment projects are the following:

Fluorochemicals	Construction of HFC-125 production plant at Changshu (China) in partnership with Daikin
Specialty Acrylic Polymers	Construction of a specialty acrylic polymer production plant in Changshu (China)
Technical Polymers	Development of Kynar® PVDF production site at Changshu (China) Increase in Kynar® PVDF capacity at Calvert City (United States)
Incubator	Construction of pilot production plant for carbon nanotubes

Capital expenditure is first and foremost financed by the resources generated by the Group in the year. Beyond this, the Group can use the available part of its syndicate credit line of a total amount of €1.1 billion or its loan securitisation programme when it will be implemented in first half of 2010 (see section 10.2 of this reference document).

5.2.3 Future capital expenditure

ARKEMA considers that on average capital expenditure should stand at around €300 million per year, of which half will be dedicated to growth and productivity capital expenditure. In particular, the Group intends to allocate between one third and half of its development capex to its projects in Asia.

However, in 2010, the Group plans to maintain its capex below €300 million.

6 Risk factors

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. Risk assessment and management are described in sections 15.7.1.3 and 15.7.1.5 B of this reference document.

6.1 Dependence factors

6.1.1 Dependence on suppliers

In general, the Group does not depend on a single supplier for the majority of its raw material supplies. However, for certain raw materials that are essential to its business, the Group is dependent on only one supplier or a limited number of suppliers for a significant part of such supplies; failure to perform by any such supplier or a significant increase in prices charged by any one such supplier could have a material adverse effect on the Group's business, financial situation, results, or future prospects.

In addition, some of the Group's operational units in France (in the chlorochemicals, acrylic acid, oxo-alcohols and functional polyolefins sectors) were built downstream of steamcrackers owned by Total Petrochemicals France (TPF). The level of physical integration of these units with TPF's production capacities is particularly high, and the raw materials delivered by Total S.A. are essential for the operation of the Group's factories in France. The main contracts are described in section 22.1 of this reference document.

Furthermore, the Group has entered into long-term agreements containing minimum supply commitments with a number of its raw materials suppliers. In the event of failure to fulfill 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, which could adversely affect the Group's results and financial situation.

Lastly, if one of the contracts described in chapter 22 of this reference document was not renewed on expiry, or was renewed on less favorable terms than those initially agreed, this could have a significant unfavorable effect on the Group's business, financial situation, results and future prospects.

6.1.2 Dependence on certain customers

The Group has entered into agreements with certain customers that represent significant financial income. The Group in particular supplies significant quantities of acrylic derivatives to various companies, with the Acrylics and the Specialty Acrylic Polymers BUs deriving substantial sales from these customers. However, none of these sales represented more than 2% of total Group sales in 2009. The Group's business, financial situation, results and future prospects would be adversely affected in a material way if these agreements were to be terminated, were not renewed at the end of their term, or were renewed under less favorable conditions than the conditions initially agreed upon, or if the supply of acrylic products to the relevant companies were interrupted.

In addition, some of the Group's customers could be acquired by competitors with upstream integration in the chemicals sector. In such circumstances, it cannot be ruled out that these customers would cancel their contracts with the Group, not renew such contracts at the end of their term, or renew contracts at less favorable terms than initially agreed, which could have an unfavorable effect on the Group.

However, the Group achieves less than 20% of its sales with its top 20 customers.

6.1.3 Dependence on certain technologies

In its business activities the Group uses a number of technologies under license from third parties. If, for any reason, the Group were no longer able to use these technologies, this could produce an adverse effect on its business, financial situation, results and future prospects.

6.2 Main risks

6.2.1 Risks relating to the Group's business activities

The prices of certain raw materials and energy resources used by the Group are very volatile, and fluctuations in such prices lead to significant variations in the costs of the Group's products.

The Group uses large quantities of raw materials and energy resources in the manufacturing processes of its products.

A significant part of raw material costs, energy costs and transport costs is directly or indirectly related to the price of crude oil. Consequently, the Group's exposure to oil price volatility is high.

Moreover, the Group's businesses use large quantities of gas and liquid fuels, making it highly exposed to volatility in prices for these energy sources.

The Group is also exposed to fluctuations in the prices of other raw materials not related to oil such as tin and castor oil.

The Group seeks to secure its sources of supply for these raw materials and its energy sources and to reduce the cost thereof by diversifying its sources of supply.

To limit the impact of volatility in the prices of its main raw materials and energy sources, the Group may also use derivatives, such as futures, forwards, swaps and options, on both organized and over-the-counter markets. Such instruments are strictly related to existing contracts (see notes 21.5 and 22 of the notes to the financial statements at 31 December 2009 presented in chapter 20 of this reference document).

The Group has entered into agreements for the supply of certain raw materials and energy resources; if such agreements were not renewed or were renewed under less favorable terms, this could adversely affect the Group's financial situation.

The supply of electricity to the chlorine-producing plants is covered by an agreement with EDF, which will expire at the end of 2010. Given the importance of electricity supplies to these sites (large amounts of electricity are used in chlorine/caustic soda electrolysis and in the production of chlorate and perchlorate), any deterioration in the Group's electricity purchasing terms when the agreement is renewed could have a material adverse effect on the Group's business, financial situation, results, and future prospects. Likewise, the supply of electricity to non-chlorine producing sites is covered by a long-term agreement with EDF. As the price of electricity used by the Group in France accounts for a significant portion of the production cost of certain products and is negotiated with EDF based on market prices, an increase in the price of electricity or the impossibility of taking the minimum quantities provided for under the agreement could adversely affect the Group's business, financial situation, results and future prospects. A detailed description of the two agreements with EDF for the Group's chlorine-producing and non chlorine-producing plants is provided in section 22.1.1 of this reference document.

EDF and the Exeltium consortium, of which Arkema France is a member, have concluded a contractual framework under the terms of which ARKEMA could purchase part of its electricity requirements after 2010. The startup of the EXELTIUM project now requires the actual implementation of the EXELTIUM consortium financing. If, for whatever reason, the parties are unable to conclude these negotiations, the possibility cannot be ruled out that the alternative solutions available to ARKEMA on expiry of the contracts concluded with EDF will result in an increase in electricity prices, which could have an adverse effect on the business, financial situation, results, and future prospects of the Group.

Historically, the thiochemical businesses were developed at the Lacq site in France to take advantage of the abundant supply of hydrogen sulfide available on site. Hydrogen sulfide is a key raw material in Thiochemicals and is present in large proportions in the gas produced at Lacq. Due to the upcoming decline and depletion of the Lacq gas field, these conditions will disappear by 2013 (as projected today). While, as of the date of this reference document, no detailed study has been conducted to identify solutions that would enable the Group to continue to conduct its thiochemicals businesses under reasonable conditions, the Group cannot rule out the possibility that any potential remedial solutions adopted may not enable it to continue these operations in the future under conditions equivalent to those prevailing today, which could have a material adverse effect on the Group's results and future prospects.

The Group's pension and similar obligations may exceed its related provisions or, in certain cases, could result in asset shortfalls.

Although Total S.A. has retained some pension obligations dating back to before the Spin-Off of Arkema's Businesses, 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 17.4 of this reference document). Projections of the Group's obligations are based on actuarial assumptions and, more particularly, on estimated salaries at retirement age, mortality tables, discount rates, anticipated long-term yields on the invested funds, and rates of increase in compensation levels. If these actuarial assumptions failed to materialize, if new regulations were enacted or if existing regulations were amended or applied differently, the Group's pension, retirement and related obligations (i) would have to be adjusted and its cash position would be favorably or unfavorably affected by the financing of assets allocated to cover such obligations, and (ii) could exceed its related reserves as described in the financial statements included in chapter 20 of this reference document.

In some countries where the Group operates, particularly the United States, obligations arising from employment agreements, retirement schemes and plans or other benefits to which Group employees are entitled are coupled with an obligation to allocate assets to finance such benefits. The value of these assets depends of the evolution of financial markets. A fall in these markets could result in the Group having an obligation to make a financial contribution.

While as of 31 December 2009 the obligations relating to such benefits were adequately reserved for, the possibility that the Group may be required to allocate additional assets to cover these benefits cannot be ruled out, and this could have a material adverse effect on its results and financial situation.

Some of the technologies that the Group currently uses are at risk from changes in legislation and regulations.

As an example, the use of the mercury process for the production of chlorine and caustic soda may be curtailed. While as of the date of this reference document there are no European regulations setting a timetable for discontinuing such electrolysis in Europe, the Group will most likely be required to begin to shut down these facilities and possibly replace them with units that use a membrane process over the next several years, as some of its competitors have already done. At the date of this reference document, the Group has not set a specific timetable to undertake this process, but it plans to abide by the commitment made by Eurochlor (association of European manufacturers), which has set 2020 as the deadline for discontinuing mercury electrolysis in Europe. However, it cannot be excluded that the closure of mercury electrolysis accelerates in Europe because of pressure from certain environmental organisations to revise this timetable.

To the best of the Company's knowledge, no legislative or regulatory change has a sufficiently precise scope or schedule to be considered, at the date of this reference document, as likely to put another technology of the Company at risk and to adversely affect the business, results and financial situation of the Group.

ARKEMA is an international group that is exposed to the economic environment as well as to political and regulatory risks and conditions in the countries in which it operates.

The Group operates in the world market and has production facilities 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 world economic, political and regulatory environment in which the Group operates.

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

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

Furthermore, changes in legislation or the unexpected adoption of more stringent regulatory requirements (particularly with respect to taxes, customs duties, intellectual property and import/export licenses or health, safety or environmental regulations) could significantly increase the costs incurred by the Group in the various countries in which it operates.

If any of the risks described above were to materialize, this could adversely affect the Group's business, financial situation, results, and future prospects.

In some countries where the Group operates, the production, sale, importing or exporting of certain products is subject to prior authorizations and permits.

In almost all countries where the Group operates, the production, sale, importing or exporting of certain products is subject to the award, maintenance or renewal of authorizations and permits, particularly operating permits. If the Group were unable to secure or renew such licenses or permits, or if these were renewed on less favorable terms than the terms initially agreed, this could adversely affect the Group's business, results, or financial situation.

A number of the Group's facilities are located on land that it does not own and that it leases.

While the Group owns most of the land on which its facilities are built, some facilities, particularly in France, in the United States and in Asia, are located on land that belongs to third parties 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 they were renewed on less favorable terms than the terms initially agreed, this could adversely affect the Group's business, results, or financial situation.

To the best of the Company's knowledge, at the date of this reference document, there are no specific significant risk relating to the potential non renewal during the year of leases or similar agreements on which the Company's business depends and which, if they were not renewed, could adversely affect the business, results and financial situation of the Group.

The various industries in which the Group is active are exposed to variations of supply and demand, which could have a material adverse effect on its results and financial situation.

The Group's results could be directly or indirectly affected by variations of supply and demand in the various industries in which it operates.

In this respect, external factors over which the Group has no control, such as general economic conditions, competitors' activities, international conditions and events, or changes in regulations could foster volatility in raw material prices and in demand, leading to fluctuations in the prices and volumes of products sold by the Group and in these products' profit margins.

The Group faces intense competition.

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

In Vinyl Products and Industrial Chemicals, the commodity nature of the products puts the emphasis on 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 Performance Products, differentiation and innovation and the quality of the products and related services play an important role. Despite the efforts that the Group has made in this area, based on these criteria, the Group cannot assert that its product range is more attractive than that of its main competitors.

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

The introduction on the market of new products or new technologies developed by the Group's competitors, most notably in Asia, or the emergence of new competitors could also affect the Group's competitive position, which could adversely affect its business, results and financial situation.

The Group is dependent on the development of new products and processes.

The business activities 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. The Group cannot guarantee that it will develop such new products and new applications successfully, or that it will be able to launch them on the market at the right time.

To remain competitive in the highly competitive chemical industry, the Group must dedicate substantial funds to R&D each year for the development of new products and processes. Even if its R&D efforts are successful, the Group's competitors could develop more effective products or successfully introduce a larger number of products on the market. The Group spends over around 3% of its revenues on R&D. Ongoing expenditure dedicated to launching new products or to research and development of future products could lead to higher than expected costs without producing a proportional increase in the Group's revenues.

If any of these events were to occur, this could adversely affect the business, results, and financial situation of the Group.

Some Group companies are exposed to risks relating to operations conducted through joint ventures in which they do not hold an exclusive controlling interest.

The Group is exposed to risks relating to joint ventures in which it does not hold an exclusive controlling interest. Some of these joint ventures are also important customers or suppliers of the Group. The joint ventures included in the Group's scope of consolidation are described in the notes to the financial statements at 31 December 2009 presented in chapter 20 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.

Any of the situations mentioned above could adversely affect the Group's business, financial situation, results and future prospects.

The pacts or agreements relating to joint ventures are described in chapter 22 of this reference document for those that the Group considers significant.

Some of the Group's production facilities are exposed to climatic or seismic risks due to their geographical location.

The Group has identified 13 production facilities, in particular in the United States (nine sites near the Gulf of Mexico, four sites near the Ohio and Mississippi Rivers) that are exposed due to their geographical location to risks of physical deterioration or even production interruption owing to major climatic events such as storms or hurricanes or to seismic activity (i.e. earthquakes). If such events occur, this could have material adverse effects on the Group's business, financial situation, results and future prospects.

The Group owns or uses a number of pipelines; if these were to be damaged or destroyed by an accident, this could adversely affect the Group's business and financial situation.

The Group owns or uses a limited number of pipelines, some of which belong to third parties, for carrying supplies of raw materials. Despite the security measures that the Group has adopted for the operation of these pipelines (see section 8.2.1.2 of this reference document), the possibility of an accident can never be ruled out. In addition to the environmental impact, such an accident would negatively affect the Group's raw materials supplies and could consequently produce a material adverse effect on its business, financial situation, results and future prospects.

6.2.2 Industrial and environmental risks

6.2.2.1 Risks relating to environmental regulations

The Group's business activities are subject to ever changing local, national and international regulations on the environment, health, hygiene and safety, which impose increasingly complex, costly and restrictive requirements.

The Group must comply with a variety of environmental, health, hygiene and safety regulations, pertaining, among other things, to industrial safety, emissions or releases into the air, water or soil of toxic or hazardous substances (including waste), to the use, production, labeling, traceability, handling, transport, storage, elimination of, or exposure to such substances, and to the remediation of industrial sites and environmental clean-up.

Should the courts or the competent authorities adopt a stricter stance in interpreting and applying these regulations, the Group could be compelled to incur higher financial costs than its current costs. In addition to these existing regulations, which could be amended to be more restrictive for the Group, other regulations are in the process of being enacted or could be enacted in the future.

Examples include European regulation n° 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation and Authorization of Chemicals (REACH) as well as the restrictions applicable to these substances, which came into force on 1 June 2007 (see section 8.2.2.3 of this reference document). Similarly, law n°2008-757 of 1 August 2008 has incorporated into French law directive 2004/35/EC of 21 April 2004 relating to environmental liability with regard to the prevention and remedying of environmental damage, and could lead to an upsurge in grounds for remedy invoked against industrial operators.

Finally, in December 2008, the European Parliament and the European Council reached an agreement in the first reading on a revision of the European directive 2003/87/EC to improve the greenhouse gas trading system for the period from 2013 to 2020: the amount of allowances that will be allocated to the Group will be based on the average performance of the 10% of the most efficient facilities regarding activities that are so-called exposed to the risk of carbon leakage, while the other activities will see their allocations gradually disappear as these are replaced by the auctioning of allowances.

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, or shut down, temporarily or permanently, certain production units; (ii) restrict the Group's ability to alter or expand its facilities, to modify certain production processes or to continue production; and (iii) possibly compel it to abandon certain markets, to incur significant expenditure to produce substitute substances, to institute costly emissions control or reduction systems, or, more generally, to incur significant new expenditures, in particular for remediation of existing sites. The resulting consequences and costs for the Group cannot be accurately estimated due to existing uncertainties over the content of such regulations, their implementation dates, or the allocation of costs among the various industry players.

Failure to comply with these regulations could lead to administrative, civil, financial or criminal sanctions, which could adversely affect the Group's business, results and financial situation.

6.2.2.2 Environmental and industrial safety risks

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

The Group operates many industrial facilities, in particular "Seveso" facilities as defined by European Directive (EC) n° 96/82 of 9 December 1996 known as the "Seveso II Directive" or similarly identified facilities outside Europe, where hazardous substances that are liable to present significant risks to the health or safety of neighboring 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 (a) for having caused injury or damages (i) to persons (mainly due to exposure to the hazardous substances that are used, produced or destroyed by the Group or that are present on these sites); or (ii) to property, or (b) for having caused damages to natural resources.

While the Group has adopted safety procedures for its R&D projects and for its plants and production processes, due to the very nature of their operations, the dangerousness, toxicity or flammability of certain raw materials, finished products or production or supply processes, the Group's plants may be the source of risks and, in particular, risks of accidents, fire or explosion and pollution. The risk prevention policy regarding industrial safety and environment is described in chapter 8.2 of this reference document.

While the Group has secured insurance policies to cover civil liability and environmental risks from leading insurance companies (see section 6.3 of this reference document), should claims arise involving the Group's businesses or products, the possibility that it may be held liable for amounts exceeding the coverage ceilings or for uninsured events cannot be ruled out. Furthermore, any accident, whether it occurs at a production site or during the transport or use of products made by the Group, may result in production delays or claims for compensation, particularly contractual claims, or product liability claims.

The amounts covered by provisions or included in the Group's investment plans may prove to be insufficient if the Group's liability is engaged for environmental claims, due to the intrinsic uncertainties involved in projecting expenditures and liabilities relating to health, safety and the environment. As regards provisions, the Group applies IFRS. These standards allow provisions to be recorded only when the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. This obligation can also arise from public commitments or practices of the Group that have created a legitimate expectation from the relevant third parties that the Group will assume certain liability, where it is likely or certain that this obligation will give rise to an outflow of resources to such third party, and the amount can be reliably estimated and corresponds to the best possible estimate of the commitment. It cannot be ruled out that the assumptions used to determine these provisions and investments will 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, changes in technical, hydrological or geological restrictions, or the discovery of pollution that is not yet known.

Consequently, should the Group's liability due to environmental and industrial risks be engaged, this could have a material adverse effect on its business, financial situation and results.

Achieving compliance for 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.

The competent authorities have made, are making or may in the future make specific requests that the Group rehabilitates or controls emissions at certain sites that it is currently operating, or that it operated or disposed of in the past, at neighboring sites or at sites where the Group stored or disposed of waste. The Group may be required to incur significant costs to fulfill these obligations.

SITES CURRENTLY IN OPERATION

In the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown as of the date of this reference document, (iii) uncertainties over the actual time required for remediation compared with the estimated time (*e.g.* for example in the area of "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 expenses relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands), Saint-Auban and Saint-Fons (France), and could adversely affect the Group's business, results and financial situation. As regards the site of Saint-Auban, different legal proceedings brought against Arkema France have been grouped together (merging of proceedings – "*jonction de procédures*") with the Nanterre correctional court. Meanwhile in 2009, proceedings were launched regarding the Spinetta site (Italy – Arkema S.r.l.). These proceedings are currently under preliminary investigation at the date of the present reference document.

SITES WHERE OPERATIONS HAVE CEASED

Under the conditions described in section 22.2 of this reference document, certain Total S.A. companies, through service and indemnity agreements with the Group, cover certain liabilities associated with certain sites in France, Belgium and the United States, for which the operations have ceased.

However, certain sites for which the Group is liable (the number of which has been substantially reduced through the indemnities and obligations granted by Total S.A. described in section 22.2 of this reference document) and certain specific risks, in particular health risks, are not covered by such service and indemnity agreements, so that the Group remains liable for any associated expenses for which, in the light of the Group's current knowledge, provisions do not need to be booked, and this could adversely affect its business, financial situation and results.

6.2.2.3 Risks relating to exposure to hazardous or toxic substances

Employees and former employees of the Group and service providers or customers of the Group may have been exposed and, to a certain extent, may still be exposed, to toxic or hazardous substances.

In manufacturing its products, the Group uses and has in the past used toxic or hazardous substances. In spite of safety and monitoring procedures implemented by the Group and each production site, Group employees and in some cases the employees of other companies and service providers may have been exposed to such substances and developed specific pathologies from such exposure, which could induce them to file claims against the Group in future years.

Certain employees of the Group or of other companies and service providers that work with the Group, may have been exposed to materials or equipment containing asbestos. The Group is involved in legal actions and occupational illness claims due to past exposure to asbestos, mostly for the period before 1977 with respect to the use of asbestos in the form of fireproofing materials and for the interim period until 1997, at which time the use of asbestos was banned in France. Owing to the latency periods for various asbestos-related pathologies, the possibility that an increasing number of legal actions or occupational illness claims will be filed in the years ahead cannot be ruled out, and this could adversely affect the Group's business, financial situation or results.

Some third party actions relating to asbestos are described in section 8.2.3.2 and in note 19 to the consolidated financial statements at 31 December 2009 of this reference document.

Employees of the Group or its service providers or customers or persons living near the Group's manufacturing facilities are exposed or have in the past been exposed to certain substances that are currently considered not to be hazardous. However, chronic toxicity, even in very low concentrations or exposure doses, could be discovered in the future. This could lead to claims against the Group and could adversely affect its business, results and financial situation.

The R&D activity (described in section 11.1 of this reference document) involving carbon nanotubes includes research into the toxicity of these particles. Depending on the advancement of knowledge, and if it can be demonstrated that the precautionary measures taken by the Group to minimize any exposure to these particles have been insufficient, the Group could be liable for the consequences, and this could adversely affect the Group's business, financial situation or results.

6.2.2.4 Risks relating 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 the strengthening of regulations on hazardous materials transport, the temporary or permanent lack of availability of transport for certain toxic or hazardous products to certain destinations, as well as the concentration of the offer on a single supplier (in particular in France and the United States), the Group could (i) face delays in delivery or even refusals by its carriers to collect shipments, (ii) experience increased difficulties in meeting certain kinds of demand from its customers, (iii) face an increase in certain shipping costs or shipping equipment rental costs, or (iv) need to reduce certain shipments unless it sets up geographical transportation ties with other manufacturers. If this were to occur, it could adversely affect the Group's business, results and financial situation.

6.2.2.5 Risks relating to storage

The Group uses many storage areas and warehouses 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 centers used by the Group. If this were to occur, it could adversely affect the Group's business, results and financial situation.

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 favorable conditions, or to store its products in other locations. If this were to occur, it could adversely affect the Group's business, results and financial situation.

As a result of economic decisions or changes in regulations, storage providers may wish to close certain unprofitable warehouses or may be unable to continue their storage/packaging operations. In this case, the Group would have to store these products in other regions, possibly at more distant storage facilities. This would result in additional transport costs for the Group, which could adversely affect its business, results and financial situation.

6.2.3 Tax risks

Any change in the tax or customs duty laws or regulations in one of the countries where the Group operates could adversely affect the Group's financial situation and results.

Furthermore, the Group enjoys 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.

In order to cover potential tax risks related to the business activities transferred by the Group to Total S.A. or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted a tax indemnity to Arkema S.A., the main terms of which are described in section 22.2 of this reference document.

6.2.4 Market risks

Treasury, interest rate instrument and currency instrument risks are managed under rules defined by the Group's senior management. Under these rules, whenever possible the management of liquidity, hedging positions and financial instruments is centralized by the Treasury and Financing department.

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 interest rates, exchange rates and the Group's exposure to the associated risks.

6.2.4.1 Liquidity risk

Given the multiple risks described in this section and the liabilities that are covered by reserves or the potential liabilities described in the notes to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document, the Group's debt could increase significantly. Any such increase in the Group's debt would limit its room for manoeuvre, and could adversely affect its business, results and financial situation.

The Group has a variable-rate credit facility, as described in section 10.2.1. The possibility cannot be ruled out that the refinancing of this facility will be difficult, or that when the Group comes to refinance this facility the conditions of new financing available to the Group will not be as favorable as those available to it under the existing facility.

The Group's financing policy, implemented centrally by the Financing and Treasury division, aims to provide the Group with the necessary financial resources to finance its activity over periods of time adapted to its repayment ability. Thus the Group:

- limits its exposure to liquidity risk through a banking policy favouring global relationship with strong investment grade commercial banks;
- seeks to optimize the use of cash generated by some of its subsidiaries. When a Group company has surplus cash, the corresponding funds are first invested with Arkema France or other Group companies that need cash;
- uses all options available to it to invest and manage available cash surpluses.

Additionally, in order to diversify its financial resources, the Group signed a mandate for the arrangement of a trade receivables securitisation program for a maximum amount of sales of €300 million, the terms of which are described in section 10.2.2 of this reference document. This program should be put in place before the end of June 2010.

The net debt of the Group at 31 December 2009 amounted to €341 million. This net debt represents a little more than 1 time the consolidated EBITDA for the year ending 31 December 2009.

At 31 December 2009, the unused portion of the syndicated credit facility stood at €785 million. The Group also had cash and cash equivalents of €89 million.

For more details, please refer to notes 21 and 22.3 of the consolidated financial statements for 2009.

6.2.4.2 Currency risk

A significant part of the Group's assets, liabilities, revenues and expenses is denominated in currencies other than the euro, primarily the US dollar and, to a lesser extent, other currencies including the Japanese yen, the pound sterling, the Chinese yuan and the Canadian dollar, while its consolidated accounts are in euro. Fluctuations in these currencies, particularly the US dollar, against the euro have in the past and may in the future materially affect the Group's financial situation and its operating results. For an indication of the impact on sales of the translation effect especially of the US dollar to the euro, please refer to section 9.2.4 of this reference document.

The percentage of operating expenses incurred by the Group in the euro zone is higher than the percentage of revenues it generates in the euro zone. As a result, the Group's competitive position can be adversely affected by the weakness of some currencies, in particular the US dollar versus the euro, as its competitors can take advantage of lower production costs in weaker-currency countries.

In addition to the effect on competitive position, currency fluctuations also have a direct accounting effect on the Group's results.

At 31 December 2009, the Group's balance sheet exposure to trading currencies other than euro was the following:

Group exposure to operational currency risk *(In billions of euros)*	**USD**	**JPY**	**Other currencies**
Trade accounts receivable	0.22	0.02	0.05
Trade accounts payable	(0.10)	(0.00)	(0.03)
Bank balances and loans/borrowings	0.01	0.00	(0.04)
Off-balance sheet commitments (currency hedging contracts)	0.17	(0.02)	0.03
NET EXPOSURE *	**0.30**	**0.00**	**0.01**

* *Net exposure includes foreign-currency amounts outstanding for Group companies that use one of the above-mentioned currencies as their reference currency as well as foreign-currency amounts outstanding for Group companies that use the euro as their reference currency.*

The Group strives to minimize each entity's currency risk relative to its reference currency. Consequently, the indebtedness of Group companies is denominated in their reference currency except when a foreign-currency loan is backed by a commercial risk in the same currency.

Group companies cover their assets and liabilities in their currencies compared to their respective functional currencies; hence variations in exchanges rates produce no material change in the income statement.

Revenues and costs in foreign currencies are covered essentially by spot foreign exchange transactions and sometimes by forward transactions. The Group covers projected movements to a limited extent only, and uses comparatively simple derivatives only.

For more details, please refer to notes 21.1 and 22 of the consolidated financial statements for 2009 in chapter 20 of this reference document.

6.2.4.3 Interest rate risk

At 31 December 2009 the Group's net debt was €341 million which included drawing of €315 million against the variable rate €1.1 billion credit line available to the Group, details of which are given in section 10.2 of this reference document.

Based on the above, a 1% increase in interest rates would lead to an annual increase of around €4 million in the cost of net debt, before taxes.

The Group's general policy with respect to indebtedness is presently to give priority to variable-rate indebtedness over fixed-rate indebtedness. Interest rate risk exposure is managed by the Group's Treasury department, and simple derivatives are used as hedging instruments.

The breakdown between debt at variable rates (from DD to 1 year) and fixed rates (more than 1 year) was as follows on 31 December 2009:

(In millions of euros)	DD to 1 year	1 to 5 years	Over 5 years
Financial liabilities	(409)	(9)	(12)
Financial assets	89	-	-
Net exposure before hedging	(320)	(9)	(12)
Hedging instruments	-	-	-
Off balance sheet	-	-	-
NET EXPOSURE AFTER HEDGING	**(320)**	**(9)**	**(12)**

For more details, please refer to notes 21.2 and 22 of the consolidated financial statements for 2009 in chapter 20 of this reference document.

6.2.4.4 Listed shares risk

Outside treasury shares, the Group's companies do not own any shares in listed companies at the date of this reference document, and, as such, are not exposed to market risk from listed shares.

On 31 December 2009, the Company owned 407 ARKEMA shares. These shares are allocated for the purpose of covering Company free share allocations to employees and executive officers. In accordance with the IAS 32 standard, variations in the share price have no impact on the Group's consolidated shareholders' equity. The listed share risks are not significant for the Company.

6.2.4.5 Credit risk

ACCOUNTS RECEIVABLE AND OTHER DEBTORS

The Group fosters relations with a large number of counterparties, most of which are its customers. On 31 December 2009, accounts receivable amounted to a total of €710 million. These accounts receivable are detailed by due date in note 21.4 of the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

The Group's exposure to credit risk is linked exclusively 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, which would have an adverse impact on the Group's results.

However, the Group achieves less than 20% of its sales with its top 20 customers. Additionally, there is no geographic concentration of credit risk as the Group achieves significant sales in a large number of countries.

The Group strives to further minimize this risk through a general credit risk management policy which consists in assessing on a regular basis the solvency of each of its customers. 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. Even though the Group has incurred very few bad debts in recent years, it has decided to cover all of its accounts receivable credit risk by putting in place a global credit insurance program, which, given the quality of its customer portfolio and a historically low customer default rate, allows it to cover a significant proportion of its accounts receivable. More detail is given in note 21.4 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document. Finally, the Group has put in place specific and centralised control of customer risk not covered by its insurance programs.

The Group policy for the recognition of bad debts in respect of receivables partially covered or not covered by its insurance programs is detailed in note 21.4 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

INVESTMENTS

Bank credit risk is linked to financial investments, derivatives, and lines of credit granted by the banks. The Group is indebted overall, and, apart from exceptions, centralises the management of its resources and financial needs. It may however be required to invest cash in particular to fulfil local regulations, or to manage cash lags. On 31 December 2009, the amount of cash invested with banking establishments amounted to €89 million.

The Group limits its exposure to credit risk by investing only in liquid assets with strong investment grade commercial banks.

Default by one of these counterparties is likely to lead to a financial loss limited to the amount of monies invested with the defaulting counterparty, which would have an adverse impact on the Group's results.

For more details, please refer to note 21.4 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

6.2.5 Legal risks

In the normal course of its business activities, the Group is a party or may become a party to judicial and administrative proceedings. The most significant current and potential legal proceedings are detailed in note 20.4 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document. In some of these proceedings, claims for substantial monetary damages have been or may be filed against one of the Group's entities. The provisions that the Group has booked for these cases may prove to be insufficient and this could have material adverse effects on its business, financial situation, results or future prospects.

As part of the Spin-Off of Arkema's Businesses, some Total S.A. companies have entered into contractual commitments and indemnities to cover certain environmental and tax risks as well as certain risks relating to antitrust law (see section 22.2 of this reference document). However, these commitments and indemnities do not cover all the risks or liabilities that the Group may incur, and the Group will continue to assume part of such risks. This could produce material adverse effects on its business, financial situation, results and future prospects.

Furthermore, certain contractual commitments and indemnities, in particular the antitrust indemnities, terminate upon (i) the occurrence of certain events, such as a change of control of Arkema S.A. or (ii) a breach by the Group of its contractual obligations. Should these events occur, this could produce material adverse effects on the Group's results, financial situation and future prospects.

In addition, the sums owed by the Group under the credit facility described in section 10.2 of this reference document could be subject to early redemption in the event of a change in control over Arkema S.A.

More generally, there can be no guarantee that new legal proceedings, whether related or unrelated to pending proceedings, would not be instituted against one of the Group's entities in the future. An unfavorable outcome to such proceedings could adversely affect the Group's business, financial situation or results.

Lastly, in the past, the Group has granted certain indemnities to third parties in connection with the sale of various businesses. The possibility that, if some of these indemnities are called, the amounts of compensation claimed would be higher than the reserves set aside by the Group to cover such claims cannot be ruled out, and this could adversely affect the Group's results and financial situation.

6.2.6 Risks relating to insurance policies

The Group believes that its insurance policies are adequate as compared to the insurance program currently available on the insurance market for groups of a 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 program or that it will incur very large expenses that will not be reimbursed or only partially reimbursed under its insurance policies cannot be ruled out. Indeed while the insurance market makes property insurance levels available that enable the Group to secure policies that cover the probable maximum loss, 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.

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

Furthermore, changes in the insurance market could lead to unfavorable changes to the Group's insurance policies (in particular, an increase in deductibles) 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.

6.3 Insurance

The Group's policy is to insure risks relating to the production, transport and marketing of its products. In order to optimize 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, such as civil liability, property damage (including business interruption) or carriage of goods. 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.

The Group believes that the limits of cover 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.

In the 2009 financial year, the total amount of premiums paid by the Group and relating to the Group's insurance policies presented hereafter, was less than 1% of its sales.

The Group 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 and has a maximum retention of €7.5 million per claim for the main sites of the Group. The purpose of this captive company is to optimize 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.

6.3.1 Liability

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

6.3.2 Property damage

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

The cover includes a "direct damage" element and a "business interruption" element (including sub-limits for machine breakdowns, natural disasters or terrorism) with the period of indemnification for the latter extending to a minimum of 24 months. Deductibles accepted vary according to the size of the subsidiary concerned.

The limit of cover for direct damage and business interruption can amount to €780 million, as a result of the combination of several policies.

6.3.3 Cargo

The Group is insured against the risk of damage to its assets, equipment, finished or semi-finished products and raw materials during transportation or storage by third parties up to a limit of €10 million per shipment. This limit is higher than the value of the largest shipments usually made or received by the Group. The policy includes a deductible and several exclusions usual for this kind of agreement.

6.3.4 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. 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 facilities, but it does not cover cases of pollution which are already known 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. Cases of pollution which are already known and which relate to past operations are not covered.

6.4 Litigation

Legal risks are subject to a quarterly review by the Group.

On the first day of the last month of each quarter, each BU, functional division and subsidiary has to inform in writing the Accounting/Controlling division and the Legal division of the Group of any legal risk or legal proceedings affecting or likely to affect the Group's operations. Representatives of the Accounting/Controlling division and of the Legal division meet to analyze such risks and legal proceedings and to determine, in conjunction with the BUs, the functional divisions and the subsidiaries, the amount of the provisions relating to such risks and legal proceedings based on the rules described in the "accounting principles and methods" chapter of the financial statements. A review of legal risks and other risks that the Group could face is also carried out by the Risk Review Committee (please refer to section 15.7.1.3 of this reference document).

The Group is a party or may become a party to legal proceedings, as a result of which it may be found liable on various grounds, in particular, for violating competition laws relating to cartel behavior, full or partial non performance of contractual obligations, breaking off established commercial relationships, pollution, or product compliance failures.

6.4.1 Claims relating to antitrust laws

Claims relating to antitrust law are described in note 19.2.1 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

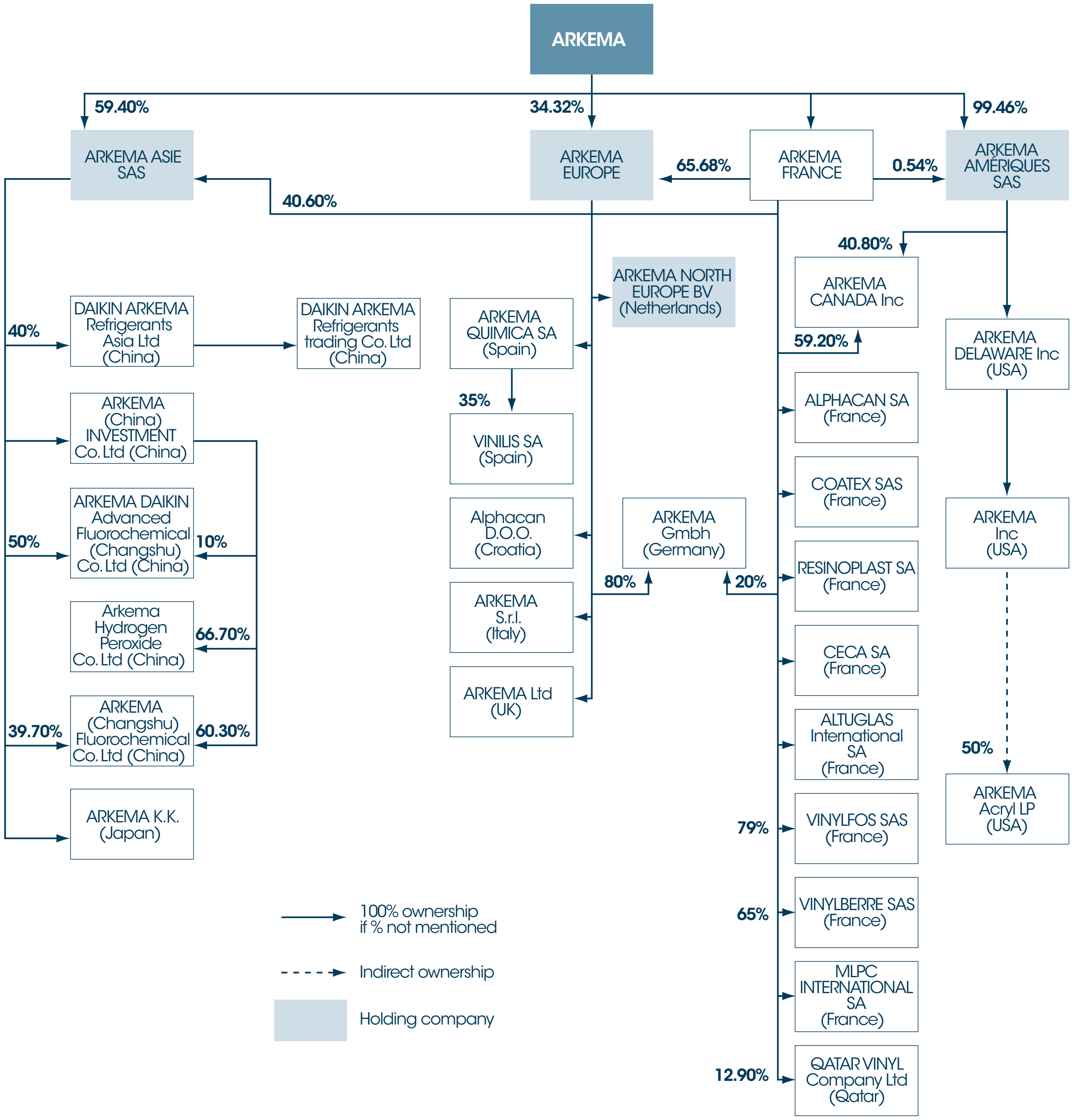
6.4.2 Other litigation

In the normal course of its activities, the Group is involved or may be involved in a number of administrative or legal procedures, the major claims or potential claims being detailed in note 19 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

To the best of the Company's knowledge and with the exception of the issues mentioned in this reference document there is no governmental, legal or arbitration proceeding of which the Company or the Group are aware that is pending 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 a material effect on the financial situation or results of the Company or the Group.

7 Simplified legal organization chart

The following organization chart features the main direct and indirect subsidiaries of Arkema S.A. at the date of this reference document.



8 Property, plant and equipment

8.1 Property, plant and equipment

8.1.1 Substantial existing or planned tangible assets, including leased real properties

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.

The net book value of the Group's tangible fixed assets at 31 December 2009 was €1.608 billion. It includes transportation equipment and pipelines owned by the Group.

8.1.2 Description of environmental issues which could affect the use made by the Group of its tangible assets

Environmental information is given primarily in sections 6.2.2.1, 6.2.2.2, 6.3.4 and 8.2 of this reference document. For a description of environmental issues which could affect the use made by the Group of its tangible assets, reference should be made to the sections referred to above.

8.2 Environment and industrial safety

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, utilization, labeling, traceability, handling, transport, storage, and the elimination of toxic or hazardous substances, exposure to the latter, as well as the restoration of industrial sites and the remediation of soil and groundwater.

For over twenty years, the Health, Safety and Environment policy (HSE) of the Group's companies has been continuously strengthened 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, Environmental Protection and Quality Charter and in a global reference source, the HSE manual, which form the basis for HSE management in all Group entities.

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

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

8.2.1 Industrial safety

The Group's industrial safety policies are grouped together under the title "Safety in Action" and aim to foster a culture of safety. This policy is implemented worldwide and over the years has produced a steady improvement in industrial safety performance.

The table below shows the occupational accident frequency rate in number of accidents per million man-hours for 2007, 2008 and 2009.

	2009	2008	2007
Lost-time accidents *	2.7	2.7	2.4
Total recordable accidents	5.9	5.9	7.1

* *"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.*

8.2.1.1 Safety management approach

All the Group's installations and activities, wherever they may be in the world, are the subject of a joint safety management process adapted to the risks they are likely to produce.

This process, embodied in the Group's Safety, Health, Environment and Quality Charter, is structured around the following 3 priorities:

- taking action on technical matters, for example in the design or improvement of production plants (process safety, ergonomics), and in the specification of transport equipment for hazardous material;
- taking action regarding the organisation, by ensuring that each entity's management system complies with the Group's safety requirements, which are in fact proportionate to each site's risk rating;
- taking action on a human level, by developing a safety culture ensuring that everyone is aware of their personal responsibility and of the importance of their behaviour.

8.2.1.2 Controlling industrial risks

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

The identification of these risks, their ranking through a qualitative and quantitative approach based on simulation models and a network of experts, preventive measures designed to reduce the effects of these risks and the likelihood of them occurring, are all covered by the technical and organizational 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-category 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 good practice in industrial risk management.

At the time of the design of a new production unit or when a significant extension to an existing production unit is made, the best options for improving industrial safety are sought. In addition, the Group regularly makes improvements to its existing production units. Thus the Group's capital expenditures allocated to safety and environment and to maintaining the plants up to standard totaled €129 million in 2009.

PRODUCTION SITES

In Europe, at the date of this reference document, 37 of the Group's production sites are monitored with extra vigilance, and are subject to European directive (EC) n° 96/82, dated 9 December 1996, that deals with the control of major accidents hazards involving hazardous substances, and called the "Seveso II directive". This directive requires, in particular, the introduction of safety management systems and the regular updating of risk assessment surveys, whose conclusions can lead to additional risk-prevention requirements for the companies operating the sites.

Recently, law n° 2003-699 of 30 July 2003 and its implementing decrees have strengthened the obligations imposed in France on companies operating Seveso sites, by laying down the principle that the government draws up and implements "plans for the prevention of technological risks" (PPTRs), the aim of which is to control urban development around risky sites and limit the effects of accidents that could occur there. 19 sites operated by the Group in France are the subject of PPTRs. The Group will be required to contribute to the funding of any measures related to these PPTRs. Furthermore, ministerial decree of 29 September 2005 concerning the evaluation and consideration of the probability of occurrence, the kinetics, the intensity of the effects, and the severity of the consequences of potential accidents in hazard studies for classified facilities subject to authorization, will also entail by 2015 the introduction of additional risk control measures at the 19 sites mentioned above for which a PPTR is required.

In the United States, the control of risks of industrial accidents is regulated, in particular, within the framework of the Clean Water Act and the Emergency Planning and Community-Right-to-Know Act. 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.

STORAGE SITES AND WAREHOUSES

The Group uses many storage areas and warehouses located on its manufacturing sites and elsewhere. Most of the external storage and warehousing centers are located near its customers' facilities or in ports, in order to facilitate maritime exports and imports, or for purposes of special packaging or processing operations.

In the case of storage and warehousing facilities, when choosing its external service suppliers, the Group takes into account their safety records.

Risks relating to these storage sites and warehouses are described in section 6.2.2.5 of this reference document.

8

THE TRANSPORT OF HAZARDOUS PRODUCT

Because of the localization of its production sites and the location of its customers, the Group conducts, or contracts out to third parties, a major business of transporting products or goods that are classified as hazardous. This activity is governed by international agreements and European regulations, as well as local legislative or regulatory requirements.

In transport, when choosing its carriers, the Group takes into account their safety records. The Group's companies, notably in France and the United States, have put in place prior assessment and selection procedures for their road hauliers, which are also used for rail freight companies.

The risks relating to the transport of hazardous product are described in section 6.2.2.4 of this reference document.

PIPELINES

The Group owns and operates a small number of pipelines in France (six in all) for which specific regulatory implementation procedures have been defined, notably for the supervision of work on these pipelines, the management of nearby works, and emergency plans and drills with the emergency services. Additionally, safety studies are carried out and updated on a regular basis.

8.2.1.3 Preparation for and management of emergency situations

Several years ago, the Group set up a round-the-clock response program, as well as a crisis center that can move into action in the event of a major accident.

Additionally, crisis response drills are carried out regularly on different topics (product, transport, etc.) in order to train the teams on a regular basis.

Identifying emergency situations that can reasonably be envisaged has enabled the Group to put in place a risk management organization. The main aim of this is to identify and minimize the consequences of an accident and to supply appropriate information to deal with situations that the employees of the Group entity concerned, the emergency services, and the neighboring population may face.

Emergency plans based on risk analysis are drawn up at different levels of the Group's organization (industrial sites, transport and countries). They define the role of each entity within the Group, depending on the level of crisis that may be encountered and the coordination required to ensure that the crisis is successfully managed.

They are updated periodically and are the subject of regular educational and training sessions.

These emergency plans and drills to simulate emergency situations also include measures to manage the risks of transporting hazardous materials and substances.

In addition, most of the Group's industrial sites subscribe to a system of mutual assistance (Transaid in France, ICE in Europe, and Chemtrec in the United States) that has been voluntarily set up by companies in the chemical industry.

Furthermore, internal audits are regularly carried out to verify that equipment (loading and unloading stations, etc.) complies with international or national regulations and with the Group's own internal requirements.

8.2.2 Environmental protection

The Group has voluntarily launched a number of programs to reduce its atmospheric emissions, production of waste, discharge of wastewater, and energy consumption. To meet its regulatory obligations and environmental responsibilities, the Group has implemented an environmental management system and participates in the Responsible Care® program. The Group's environmental policy as a whole is implemented across the world, by every Group subsidiary and in every country in which the Group operates.

8.2.2.1 Reducing environmental impact

For the Group's manufacturing sites, the reduction of environmental impact consists in particular in minimizing the use of raw materials, energy, and natural resources such as water: discharges into the natural environment and other waste production are thus also reduced. The Group also pays particular attention to local environmental pollution such as noise and odors. The Group also strives to reduce water consumption, energy resources, and raw materials. From the moment of their design, new manufacturing units incorporate environmental protection in the choice of processes and equipment. 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, notably in the areas of atmospheric emissions, water extraction, and wastewater discharge.

For example, under European directive (EC) n° 96/61 of 24 September 1996, called the IPPC Directive (Integrated Pollution Prevention and Control), the industrial sites to which it applies are subject to operating authorizations that provide for limited amounts of emissions, established on the basis of the best available techniques (BATs). A legislative process is underway to revise this directive. Similarly the United States Clean Air Act (CAA) sets federal standards relating to air pollution from fixed and mobile sources, and establishes national emission standards for 200 hazardous substances, based in particular on Maximum Achievable Control Technology (MACT).

European directive (EC) n° 2003/87 established a greenhouse gas trading system within the European Union. Under this scheme the Group was allocated annual allowances of 779 kT for 2008 to 2012, readjusted to 731 kT in June 2007 to take into account the Mont and Villers Saint-Paul plants being withdrawn from the scope of the National Allocation Plan. The Group does not expect that it will need to make significant purchases of additional CO_2 allowances. In France however, a draft carbon tax (*Contribution Climat Énergie*) aimed at introducing a fuel tax proportionate to CO_2 emissions, was included in the Finance bill for 2010, then censured by the Constitutional Council: at the date of this reference document, it is difficult to anticipate the detailed provisions that will eventually be adopted and their consequences, if applicable, on the Group.

For several years now, one of the Group's priorities has been to reduce emissions of greenhouse gases (GHGs). As a significant user of energy, the Group is directly concerned by carbon dioxide emissions, and monitors the permanent improvement of the energy efficiency of its plants. The Group has also undertaken to reduce its emissions of fluorocarbon compounds, a group of GHGs mainly used in refrigeration and insulating foam. The Group has also put in place at its Changshu site in China a project consisting in incinerating the HFC 23 by-product from HCFC 22 manufacture. The project falls in line with the Group's ongoing sustainable development commitment, and has allowed a reduction of over 60% in its GHG emissions.

ENVIRONMENTAL INDICATORS

The tables hereafter show the levels of emissions and volumes of hazardous and non-hazardous discharges produced by the Group's businesses in 2007, 2008 and 2009.

Emissions to air	2009	2008	2007
Volatile organic compounds *(VOCs) (tonnes)*	4,031	5,426	6,269
All substances contributing to acidification *(t eq SO2)*	5,450	6,516	7,269
Greenhouse gases (*kt eq CO_2*)	2,354	4,505	9,392
including CO_2	1,415	1,596	1,611
including HFC	880	2,850	7,726
Dust *(tonnes)*	530	600	513
Carbon monoxide *(CO) (tonnes)*	6,530	7,381	9,277

Energy and water consumptions	2009	2008	2007
Overall energy consumption *(in TWh)*	14.2	15.8	16.0
Overall fresh water consumption *(in millions of m^3)*	132	138.5	148.6

Emissions to water	2009	2008	2007
Chemical Oxygen Demand *(COD) (tonnes of O_2)*	2,813	3,453	3,689
Suspended solids *(tonnes)*	3,230	6,189	6,127

Waste *(in tonnes per year)*	2009	2008	2007
Hazardous waste excluding material recovery	154,000	182,500	198,670
including landfill disposal	7,600	6,700	8,419
Non-hazardous waste	108,000	89,100	84,281

Source of data: data for the VOC, GHG and COD environmental indicators were audited by Bureau Veritas Certification.

8.2.2.2 Controlling soil and groundwater pollution

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

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

RESTORING SITES

The regulations in force in the various countries in which the Group operates allow the relevant authorities to impose measures to investigate, restore and monitor when the environmental condition of a site justifies such measures. In France, these measures are based on the legislation concerning installations classified for the protection of the environment, as codified in articles L.511-1ff of the Environmental Code (*Code de l'environnement*). In the United States, the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) and the Resource Conservation and Recovery Act (RCRA) allow the relevant authorities to require investigation and remedial measures and also to impose compensation payments to certain government agencies, associations for the protection of the natural environment or Native American reserves for natural resource damages.

The Group has a large number of sites, some of which may be polluted given the length of time they have been operated and the diversity of the activities that they house or used to house. The Group has therefore been developing a scheme for several years to identify and evaluate the environmental condition of its active industrial sites. The final closure of a site generally entails an obligation on the operator to restore the site prior to closure to a state that no longer presents any danger or harm to the environment. In France, in addition to this obligation and to the need to notify the authorities that operations are ceasing, there is a requirement to take into account the future use of the site when defining and carrying out the restoration work. Unless an agreement is met with the interested parties (in particular the local municipality concerned), the operating company may face higher restoration costs if the site is earmarked for a so-called "sensitive" use (redevelopment with a view to building offices or housing, for example). The amount of provisions for environmental risks at 31 December 2009 is given in note 18.4 in the notes to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

Within the framework of service contracts and guarantees, some of Total S.A.'s subsidiaries assume certain responsibilities on a number of sites in France, Belgium and the United States, most of which have ceased operations. The conditions under which these responsibilities will be assumed are described in section 22.2 of this reference document. Please also refer to section 6.2.2.2 of this reference document.

8.2.2.3 Managing products responsibly (Product Stewardship)

The Group ensures that it markets products that do not, over their life cycle, harm human health or safety, or the environment.

Groups of experts (toxicologists and ecotoxicologists) work on improving knowledge of the danger characteristics of the substances produced by the Group.

In accordance with applicable regulations, a safety data sheet is regularly updated for each of the Group's products and sent out to customers. In addition, groups of regulatory experts employed by the Group are in permanent contact with their toxicologist and ecotoxicologist colleagues, as well as with a worldwide network of correspondents on the industrial sites and in the BUs.

In Europe, regulations governing chemical products have been significantly reworked through the introduction of European regulation n° 1907/2006 of the European Parliament and the Council on 18 December 2006, concerning the Registration, Evaluation and Authorization of Chemicals (REACH). This regulation came into force on 1 June 2007.

This new regulation will oblige all manufacturers and importers of chemicals in Europe to file a complex registration file for each substance of which more than a tonne is produced per year. Each file will then be the subject of an evaluation by the relevant authorities. An authorization procedure will be required for substances of very high concern, namely those in the following categories: CMR (carcinogenic, mutagenic and reprotoxic), PBT (persistent, bioaccumulative and toxic) and vPvB (very persistent and very bioaccumulative). The Group has been preparing for the introduction of these new rules for a number of years, and expects to register 430 substances (of which 35 to 40 are potentially subject to authorization, and 150 fall within the first registration deadline of 30 November 2010). The Group, which completed the necessary pre-registrations with ECHA (European Chemicals Agency) between June and November 2008, estimates that compliance with this new regulation will cost it around €60 million over 12 years.

ECHA published its initial list of 15 substances due for the authorization procedure in October 2008, and in January 2010 introduced a further 14 substances due for this authorization procedure. This list includes in particular (i) DEHP (di-ethylhexyl phthalate) produced by the Group at the Chauny site, and (ii) sodium dichromate used by the Group as a manufacturing aid. In June 2009, ECHA recommended a selection of 7 substances which it proposes to the European Commission to submit to the authorization procedure as a matter of priority, including DEHP but not sodium dichromate. In the medium term, substances submitted for authorization may only be used for specific purposes by those companies which have been granted authorization.

Leaving aside the REACH regulation, it cannot be ruled out that the competent environmental authorities, within the framework of the existing regulations in the countries where the Group operates, will take decisions that could oblige it to reduce sharply, or even discontinue, the manufacture and marketing of certain products and shut down, either temporarily or permanently, manufacturing on certain production sites.

For example, the Group uses a fluoro-surfactant which belongs to the family of long chain perfluorinated chemicals in the production of high-performance polymers at two of its manufacturing facilities. In the United States, a preliminary risk assessment on perfluoro-octanoic acid (PFOA), a substance not used by the Group but that has chemical similarities with the fluoro-surfactant it uses, was published by the American environmental authorities (Environmental Protection Agency – EPA) in April 2003 and then revised in January 2005. This risk assessment indicates potential exposure of the United States' general population to PFOA at very low levels but states that there is a great scientific uncertainty about the health risks associated with PFOA. The EPA, however, continues its evaluation aimed at identifying the types of voluntary or regulatory measures, or other actions, that should, if necessary, be adopted and implemented. At the moment, it is hard to foresee the conclusions that will be drawn from this study and whether they will be extended to the fluoro-surfactant used by the Group.

On 25 January 2006, the EPA wrote to certain manufacturers using PFOA and similar substances to ask them to commit to a program of gradual elimination of PFOA and similar substances from emissions and from products by 2015 (with a 95% reduction target by 2010). ARKEMA has undertaken to comply with this program, and can draw on the considerable resources it has devoted to finding substitute surfactants since 2002 and on the results this research has already produced. On 30 December 2009, the EPA announced that it will consider initiating rulemaking in 2012 to ban or eliminate long chain perfluorinated chemicals. In Europe, directive 2006-122 enables the Commission to bring forward measures to reduce the risks associated with PFOA as considered necessary under the ongoing risk analysis.

Over and above regulatory constraints, the Group contributes to several international programs to evaluate the dangers of chemical products, such as the High Production Volume Chemicals (HPV) program that comes under the aegis of the International Council of Chemical Associations (ICCA).

8.2.2.4 Managing and preventing environmental risks

The Group has set up environmental management systems at its industrial sites, most of which have obtained an external environmental certificate stating that they comply with the ISO 14001 standard. Depending on the local context, some sites have adopted other benchmarks such as the Responsible Care® Management System (RCMS) in the United States.

The environmental management system requires each of the Group's industrial sites to identify its impact on the environment (water, air including greenhouse gases, waste, noise, odors and soil) and set out the priorities which constitute their action plan. The periodical environmental analysis of sites allows measurement of the progress to date, and definition of new improvement objectives. Each site rigorously monitors its discharges, emissions (including CO_2 and greenhouse gass emissions), and waste. All this environmental data is collected and consolidated at the Group's head office and is published annually as part of the report on sustainable development.

In addition to internal audits carried out by the Group's Internal Audit team, the Group's sites are subject to two other types of audit: certifications by outside bodies, and audits by experts from the Group's Safety, Environment and Quality division.

Lastly, mindful of the concerns of the public about the chemical industry, be they the risk of accidents, the effect of products on health or their impact on the environment, the Group has been organizing meetings since 2002 to exchange views with the communities located near its industrial sites as part of an initiative called Common Ground®. The purpose of this is to develop a dialogue and contacts with those who are concerned by these matters, to build confidence, and thus move forward with them in the fields of safety and the environment.

8.2.3 Health and safety

8.2.3.1 Promoting health and safety is a constant concern

Safety and the protection of health and the environment are central to the Group's objectives in conducting its operations, with an ongoing concern for improving performance in these areas.

The Group carefully assesses the risks involved in its operations for the health and safety of its employees, service providers, customers, and the public, and draws the consequences in terms of prevention.

8.2.3.2 Occupational illness

In manufacturing its products, the Group 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.

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 asbestos-containing building materials within its premises, notified employees of the results of these investigations, and took the collective and individual protective measures required by the applicable laws. Outside France, the Group has also taken measures to ensure that it complies with applicable legislation.

However, claims for occupational illness related to past asbestos exposure have been filed against the Group, mostly for periods before 1980.

Arkema France has also been challenged by a few former employees regarding the basis of compensation relating to early retirement provisions for asbestos workers. This action is based on a ruling given against another company, although this decision is not yet final.

The risks relating to occupational illness are described in section 6.2.2.3 of this reference document.

8.2.3.3 Facilities that produced asbestos-containing materials likely to entitle employees to voluntary early retirement

Seven of the Group's sites in France have been classified by ministerial order as facilities entitling asbestos workers to a voluntary early retirement scheme. The Group cannot rule out the possibility that other sites may be added to this list in the future.

In this area, on 30 June 2003, Arkema France entered into an agreement with all trade unions aimed at improving the conditions under which its employees can leave the Group under the terms of this scheme, and at adjusting the departure date of the relevant employees so as to facilitate the transfer of expertise and know-how within the Group. These measures were extended to all Group companies in France under the terms of the group agreement reached on 1 September 2007 with all trade unions. For further detail, please refer to note 19 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

9 Analysis of the Group and the Company's financial condition

9.1 Analysis of the Group's financial condition and results

9.1.1 Consolidated financial statements for 2009

The Group's consolidated financial statements for 2009 are presented in chapter 20 of this reference document.

The report from KPMG Audit and Ernst & Young Audit, statutory auditors, on the consolidated financial statements for 2009 is included in chapter 20 of this reference document.

9.1.2 Consolidated financial statements for 2008

For 2008, the Group's consolidated financial statements, and the report from KPMG Audit and Ernst & Young Audit, statutory auditors, on these consolidated financial statements, are presented in chapter 20 of the reference document filed with the *Autorité des marchés financiers* on 21 April 2009 under n° R.09-024.

These are incorporated by reference in this reference document.

9.1.3 Consolidated financial statements for 2007

For 2007, the Group's consolidated financial statements, and the report from KPMG Audit and Ernst & Young Audit, statutory auditors, on these consolidated financial statements, are presented in chapter 20 of the reference document filed with the *Autorité des marchés financiers* on 17 April 2008 under n° R.08-026.

These are incorporated by reference in this reference document.

9.2 Comments and analysis on consolidated financial statements for 2008 and 2009

9.2.1 Accounting policies

The consolidated financial statements at 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the IASB (International Accounting Standards Board) as approved by the European Union at 31 December 2009.

The accounting policies applied in preparing the consolidated financial statements at 31 December 2009 are identical to those used in the consolidated financial statements at 31 December 2008, except for those described at the start of note "B. Accounting policies" to the financial statements in chapter 20.

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 these estimates and determined these 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 the calculation of depreciation and impairment, of pension benefit obligations, of deferred taxes and of provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

9.2.2 Indicators used in management analysis

The analysis set out below includes a year-on-year comparison of the performance of ARKEMA and its business segments in accordance with principles which are identical to those defined in the Group's reporting for the purposes of managing and assessing the Group's performance. The main performance indicators used by ARKEMA are defined in chapter 20 of this reference document.

In analyzing changes in its results, particularly changes in sales, ARKEMA identifies the influence of the following effects (such analysis is unaudited):

- **effect of changes in scope of business:** effects of changes in scope of business arise on acquisition or disposal of an entire business or on first-time consolidation or deconsolidation of an entity. An increase or reduction in capacity is not analyzed as creating a change in the scope of business;
- **effect of foreign currency movements:** the effect of foreign currency movements is the mechanical impact of consolidation of accounts denominated in currencies other than the euro at different exchange rates from one period to another. The effect of foreign currency movements is calculated by applying the foreign exchange rates of the prior period to the figures of the current period;
- **effect of changes in prices:** the impact of changes in average sales prices is estimated by comparing the average weighted unit net sales price of a range of related products in the current period with their average weighted unit net sales price in the prior period, multiplied, in both cases, by the volumes sold in the reference period;
- **effect of changes in volumes:** the impact of changes in volumes is estimated by comparing quantities delivered in the reference period with the quantities delivered in the prior period multiplied, in both cases, by the average weighted unit net sales prices of the relevant prior period.

9.2.3 Description of the main factors which affected sales and results in the period

A number of factors affected operating income in 2008 and in 2009. These factors affected the performances achieved by the Group's three business segments to varying degrees:

- unprecedented market conditions marked by a sharp decline in demand since the last quarter of 2008 in many market segments, in particular in the automotive and construction sectors, and by substantial de-stocking by customers over the last quarter of 2008 and the first six months of 2009;
- fluctuations in raw material costs, in particular petrochemicals (ethylene, propylene). After reaching peak levels in 2008, the cost of raw materials dropped significantly in early 2009 before partially rising again. These fluctuations impacted some product lines, such as Acrylics and Vinyl Products;
- the balance of supply and demand in Acrylics which remained unfavourable in 2008 and in 2009. Unit margins reached a low point in 2009;
- market conditions in Vinyl Products in which PVC margins remained low in 2009 and the price of caustic soda dropped in the 2nd and 3rd quarters compared to their peak levels at the beginning of 2009;
- reductions in fixed costs. To adapt to challenging market conditions, ARKEMA strengthened its fixed cost reduction measures, twice increasing the initial objective to achieve €500 million fixed costs savings between 2005 and 2010 set out at the time of its stock market listing, to €600 million. At the end of 2009, the cumulative gains from the various productivity measures amounted to €508 million compared to 2005. These measures also generated restructuring costs which had a significant negative impact on operating income and cash flow. In 2009, charges relating to the plans announced amounted to €91 million and cash outflows to €78 million;
- a very tight control of working capital and selective capital expenditure on the best growth projects, in particular in Asia, which in 2009 helped generate highly positive free cash flow [26] at €228 million;
- the launch of new products from the Group's R&D, in particular in renewable energies (photovoltaic range, biosourced polymers, etc.) and developments in Asia (H_2O_2 in Shanghai, Fluorochemicals in Changshu in China).

(26) *Cash flow from operating and investment activities excluding the impact of portfolio management and, in 2008, non-recurring pre-spin-off items.*

9.2.4 Analysis of ARKEMA's income statement

(In millions of euros)	2009	2008	Change
Sales	**4,444**	**5,633**	**(21.1)%**
Operating expenses	(3,911)	(4,840)	(19.2)%
Research and development expenses	(136)	(150)	(9.3)%
Selling and administrative expenses	(357)	(393)	(9.2)%
Recurring operating income	**40**	**250**	**(84.0)%**
Other income and expenses	(109)	(53)	(105.7)%
Operating income	**(69)**	**197**	**n/a**
Equity in income of affiliates	13	8	
Financial result	(28)	(35)	
Income taxes	(87)	(69)	
Net income of continuing operations	**(171)**	**101**	**n/a**
Net income of discontinued operations	**-**	**-**	
Net income	**(171)**	**101**	**n/a**
Minority interests	1	1	
Net income - Group share	**(172)**	**100**	**n/a**
EBITDA	**310**	**498**	**(37.7)%**
ADJUSTED NET INCOME	**(49)**	**146**	**n/a**

Sales

In 2009, sales totalled €4,444 million against €5,633 million in 2008 in an unprecedented economic environment. Volumes were 13.9% down on 2008 due to the combined effect of declining demand and massive de-stocking by customers in the first half of the year. The situation, however, differed from one region to another. Asia saw a sharp recovery in demand since the 2nd quarter of 2009. Despite the end of de-stocking at the end of the 1st half of the year and a few more positive signs in North America towards the end of the year, volumes remained below pre-crisis levels in Europe and the United States. The price effect (-7.7%) mostly reflected changes in raw material costs in some product lines, in particular Acrylics and PVC, and the fall in caustic soda prices, which reached their lowest level in the 3rd quarter. The translation effect was positive (+1.1%), while the effect of changes to the scope of business remained limited (-0.7%).

The breakdown of sales by geographic region changed notably in 2009. In accordance with the Group's strategy to boost its presence in Asia, the proportion of sales achieved in this region increased to 18% [27] of ARKEMA's overall sales in 2009 against 16% in 2008 and 13% in 2006. North American sales accounted for 24% in 2009 against 22% in 2008, with European sales therefore falling to 54% against 58% in 2008.

Recurring operating income

Recurring operating income amounted to €40 million against €250 million in 2008. This decline reflects primarily the evolution in EBITDA. Depreciation and amortization, at €270 million, was up by €22 million compared to 2008.

EBITDA stood at €310 million in 2009 against €498 million in 2008 in a challenging economic environment marked by a drop in volumes and the negative impact of inventory effects (-€40 million) which had an estimated total impact of -€343 million. To limit this impact, ARKEMA strengthened the cost saving measures launched in recent years and reduced its fixed costs by €171 million overall excluding inflation, over and above the initial target of €110 million. These savings are the result of (i) the implementation of many restructuring plans in downstream PVC, Acrylics, PMMA, Functional Additives, Technical Polymers, and the North American organisation, and (ii) measures to adapt to the crisis (maintenance optimization, reduction in business travel expenses, etc.) accounting for some €50 million. After deduction of inflation on fixed costs and losses of volumes resulting from the implementation of restructuring plans, this amount represented a net EBITDA gain of €132 million.

ARKEMA also benefited from the development of its positions in Asia in Fluorochemicals through its joint venture with Daikin and in Hydrogen Peroxide through the doubling of production capacity at its Shanghai plant. ARKEMA also reported a number of successes with the launch of new projects derived from its R&D in renewable energies (solar photovoltaic, lithium-ion batteries) as well as in high performance polymers. These various growth projects made a positive contribution of €36 million on EBITDA.

EBITDA margin reached 7.0% of sales against 8.8% in 2008 and 6.2% in 2005.

Research and development expenses amounted to €136 million, i.e. 3.1% of sales against €150 million (2.7% of sales) in 2008. Within these figures, the share of R&D allocated to innovation increased between 2008 and 2009.

(27) Asia includes sales in Asia and in the Middle East.

Operating income

Operating income totalled -€69 million against €197 million in 2008. This drop resulted from the combined effects of a €210 million reduction in recurring operating income and a rise in other income and expenses amounting in 2009 to - €109 million against - €53 million in 2008.

In 2009, other income and expenses mainly included expenses relating to the restructuring plans announced in 2009 in North America and in Methacrylates in Europe.

In 2008, other income and expenses essentially included - €59 million of expenses relating to restructuring plans, especially in Vinyl Products, and to the creation of shared services centers for Human Resources, Accounting and Purchasing functions.

Equity in income of affiliates

Equity in the income of affiliates came to €13 million, against €8 million in 2008. This includes the share in the results of QVC, as well as exceptional income at Vinilis SA following the conclusion of a tax litigation case.

Financial result

Financial result totalled - €28 million in 2009 against - €35 million in 2008. This improvement is due mostly to a significant reduction in the cost of debt resulting from a drop in the average level of the Group's debt between 2008 and 2009 and an average interest rate in the year of approximately 2.2% compared with 4.5% in 2008.

Income taxes

Income taxes amounted to €87 million in 2009 against €69 million in 2008. This included an exceptional charge of €14 million relating to the *Cotisation sur la Valeur Ajoutée des Entreprises* (tax on added value of companies) replacing in part the business tax in France (*taxe professionnelle*).

The relative extent of the tax charge reflects the geographic split of income between France and the rest of the world. In France, where deferred tax assets are not recognised, the financial performance was adversely affected by the results of the Vinyl Products segment and the restructuring charges.

Adjusted net income and net income – Group share

ARKEMA generated net income (Group share) of - €172 million compared with €100 million in 2008.

If one excludes the after-tax impact of non-recurring items, adjusted net income amounted to - €49 million against €146 million in 2008.

9.2.5 Analysis of results by segment

9.2.5.1 Vinyl Products segment

(In millions of euros)	2009	2008	Change
Sales	**1,005**	**1,443**	**(30.3)%**
Recurring operating income	**(80)**	**(25)**	**n/a**
Other income and expenses	(9)	(36)	n/a
Operating income	**(89)**	**(61)**	**n/a**
EBITDA	**(31)**	**14**	**n/a**

TROUGH MARKET CONDITIONS

Sales of Vinyl Products stood at €1,005 million against €1,443 million in 2008. Volumes declined sharply as a result of the collapse of the construction market in Europe. PVC prices on average were below those of 2008. They reflected the drop in the price of ethylene compared to its 2008 peak, and competitive pressure in 4th quarter 2009 from US PVC imports which benefited from low ethylene prices and a favourable US dollar exchange rate. After their high level in 1st quarter, caustic soda prices collapsed in 2nd quarter to a low point in 3rd quarter. Finally, a number of activities accounting for sales of €70 million were divested (aluminium chloride, vinyl compounds at the Vanzaghello site in Italy, and the Sanitary Heating Pipes business).

EBITDA totalled -€31 million against €14 million in 2008, reflecting the drop in volumes, the evolution of caustic soda prices, and the weak unit margins for PVC. Results for downstream PVC benefited from the restructuring plans.

Recurring operating income amounted to -€80 million in 2009 against -€25 millions in 2008. This includes an increase of €10 million in depreciation and amortization compared to 2008 resulting from capital expenditures made in the context of the chlorochemicals business consolidation plan.

Operating income for 2009 stood at -€89 million against -€61 million in 2008. It includes other income and expenses of -€9 million related primarily to the asbestos rating of the Jarrie facility (France).

In 2008, other income and expenses amounted to -€36 million, and mostly included -€42 million of expenses related to the restructuring plans announced at the end of 2008 on the Jarrie and Saint-Auban sites in France and in the two downstream PVC businesses in France and Europe.

9.2.5.2 Industrial Chemicals segment

(In millions of euros)	2009	2008	Change
Sales	**2,109**	**2,582**	**(18.3)%**
Recurring operating income	**177**	**218**	**(18.8)%**
Other income and expenses	(85)	(9)	n/a
Operating income	**92**	**209**	**(56.0)%**
EBITDA	**306**	**341**	**(10.3)%**

RECORD EBITDA MARGIN SINCE SPIN-OFF AT 14.5%

Sales of Industrial Chemicals amounted to €2,109 million in 2009 against €2,582 million in 2008. The drop in demand in many market segments (automotive, construction, paper, etc.) weighed heavily on volumes (-12% compared to 2008). The price effect, also negative, was linked to the drop in the average cost of raw materials compared to 2008. This effect is particularly noticeable in Acrylics. The conversion effect related to the appreciation of the US dollar vs the euro was positive.

EBITDA stood at €306 million against €341 million in 2008 despite the decline in volumes and acrylic unit margins at a low point. The Thiochemicals and Fluorochemicals BUs reported strong results reflecting the in-depth transformation initiated several years ago. Coatex activities showed good resilience, confirming its successful integration. Growth in Asia was supported by developments in Hydrogen Peroxide and Fluorochemicals. Finally, significant fixed cost reductions, in particular in the Methacrylates BU, contributed positively to EBITDA. End 2009, as part of the Methacrylates restructuring plan in Europe, the Carling (France) MMA production plant was shut down.

EBITDA margin stood at 14.5%, its highest level since Arkema's stock market listing. In 2008, EBITDA margin stood at 13.2% and at 11.4% in 2007.

Recurring operating income amounted to €177 million in 2009 against €218 million in 2008. It includes an increase of €6 million in depreciation and amortization compared to 2008 following the start-up of several production capacity extensions in the segment.

Operating income stood at €92 million in 2009 against €209 million in 2008. It includes other income and expenses which totalled -€79 million relating mainly to the restructuring of the Methacrylates activity in Europe (closure of MMA plant in Carling (France) and refocusing of production at Bernouville plant (France) on higher added value products). In 2008, other income and expenses were limited to -€9 million, also relating to restructuring plans launched in the segment.

9.2.5.3 Performance Products segment

(In millions of euros)	2009	2008	Change
Sales	**1,318**	**1,602**	**(17.7)%**
Recurring operating income	**11**	**92**	**(88.0)%**
Other income and expenses	(1)	(2)	n/a
Operating income	**10**	**90**	**(88.9)%**
EBITDA	**102**	**177**	**(42.4)%**

COST REDUCTION AND VOLUME RECOVERY IN 2ND HALF

Sales of Performance Products totalled €1,318 million against €1,602 million in 2008. Sales volumes, 16% down on 2008, gradually improved in 2nd half of the year, in line with market trends in automotive and construction and the recovery in new energies markets (photovoltaics and lithium-ion batteries). The price effect was slightly negative (product mix effect), while unit margins stood up well. The translation effect was positive, the US dollar, on average, recovering vs the euro in 2009. The scope-of-business effect was nil overall over the year, as the impact of the divestment of certain non-core activities was offset by the acquisition of the organic peroxides business from the company Geo Specialty Chemicals.

EBITDA stood at €102 million against €177 million in 2008. Fixed cost reductions achieved in Technical Polymers and Functional Additives mitigated the negative impact of the decline in volumes. The success of new developments reported in the sustainable development sector and in high performance polymers (photovoltaics, lithium-ion batteries, high temperature polyamides, etc.) gathered strength. The performance of Specialty Chemicals was strong.

EBITDA margin stood at 7.7% against 11.0% in 2008.

Recurring operating income amounted to €11 million in 2009 against €92 million in 2008. It includes a €6 million increase in depreciation and amortization compared to 2008.

Operating income amounted to €10 million in 2009 against €90 million in 2008, in line with the evolution in the recurring operating income.

9.2.6 Balance sheet analysis: comparison of 2009 with 2008

(In millions of euros)	31 December 2009	31 December 2008	Change
Non-current assets *	2,257	2,315	(2.5)%
Working capital	720	1,055	(31.8)%
Capital employed	**2,977**	**3,370**	**(11.7)%**
Provisions	756	801	(5.6)%
Net debt	341	495	(31.1)%
Shareholders' equity	1,813	2,018	(10.2)%

* *Excluding deferred taxes.*

Non-current assets fell by €58 million between 2008 and 2009. This was due primarily to:

- a net reduction of -€18 million in the receivable against the French Treasury relating to R&D tax credit as part of early repayment measures;
- the imposition of a fine by the European Commission in 2009 in the last pending case (antitrust litigation) after which €24 million of deposits were settled and the corresponding provisions reversed;
- a negative foreign exchange rate effect of -€21 million related to the weakening of the US dollar vs the euro at the end of 2009.

In 2009, capital expenditure amounted to €301 million, while depreciation and amortization represented €299 million, €33 million of which related to accelerated asset depreciation.

In line with the priority given to cash generation in 2009, efforts to reduce working capital were strengthened with a particular focus on optimising quantities in stocks. Accordingly, inventories of finished products and raw materials were reduced by 30% to €660 million at year end. At the end of December 2009, the working capital to sales ratio dropped significantly to 16.2% against 18.7% at 31 December 2008, the 18% target set for 2010 being achieved 12 months ahead of schedule.

Consequently, ARKEMA's capital employed fell by €393 million to €2,977 million in 2009 against €3,370 in 2008. In 2009, the breakdown of capital employed by segment (excluding Corporate) remained stable, the Vinyl Products segment accounting for 20% of total capital employed, Industrial Chemicals 49%, and Performance Products 31%.

At 31 December 2009, provisions amounted to €756 million, down €45 million on 2008 due primarily to reversals that were higher than increases in provisions (€174 million of reversals compared to €133 million of increases in provisions), and to the impact of foreign currency movements of -€6 million.

The breakdown of provisions by type at 31 December 2009 was as follows: pension liabilities €237 million (€236 million in 2008), other employee benefit obligations €100 million (€105 million in 2008), environmental contingencies €197 million (€206 million in 2008), restructuring €111 million (€109 million in 2008), and other provisions €111 million (€145 million in 2008).

In addition, certain provisions totalling €68 million are covered by indemnities granted by Total as described in paragraph 22.2 of this reference document and thus by long-term assets recognized in the balance sheet. These comprise (i) provisions relating to former industrial sites in the United States in an amount of €58 million, and (ii) certain provisions relating to antitrust litigation in an amount of €10 million.

Accordingly, the net amount of provisions at 31 December 2009 was €685 million (after deducting pension assets of €3 million recognized in the balance sheet at 31 December 2009). In 2008, the net amount of provisions stood at €701 million.

Consequently, net debt amounted to €341 million at 31 December 2009, against €495 million in 2008, giving a ratio of net debt to EBITDA of 1.1. The debt to equity ratio stood at 19%.

9.2.7 Cash flow analysis: comparison of 2009 with 2008

(In millions of euros)	2009	2008
Cash flow from operating activities	**452**	**331**
of which:		
Current income taxes	*(71)*	*(55)*
Cash items in financial result	*(11)*	*(27)*
Change in working capital	*384*	*56*
Cash flow from investing activities	**(250)**	**(342)**
Net cash flow	**202**	**(11)**
of which:		
Cash flow from portfolio management	*(26)*	*(25)*
Non-recurring pre spin-off items	*n/a*	*(54)*
Free cash flow *	**228**	**68**
Non-recurring post spin-off items	*(84)*	*(56)*
Recurring cash flow	**312**	**124**
Cash flow from financing activities	**(171)**	**(12)**
Change in cash and cash equivalents	**31**	**(23)**

* *Cash flow from operating activities and investments, excluding impact from portfolio management and in 2008 non-recurring pre-spin off items.*

Cash flow from operating activities

In 2009, net resources generated by operations amounted to €452 million, up €121 million on 2008. This improvement resulted mainly from a very tight working capital management, and in particular the optimisation of quantities in stock resulting in a reduction in working capital generating €384 million.

Cash flow from investment activities

Cash flow from investment activities amounted to -€250 million. This included capital expenditures in operating tangible and intangible assets of €301 million, of which €262 million of recurring capital expenditures and €39 million of other exceptional capital expenditures, including the acquisition of assets in 2009. The recurring capital expenditures relate to (i) growth projects with the construction of new plants in Asia, namely fluorogases (HFC-125) and fluoropolymers (Kynar®) at the Changshu site (China), and 2EHA at the Carling site (France) in Acrylics started-up at the beginning of 2010, and (ii) plant maintenance operations.

The breakdown of investments over the different geographic areas in which the Group operates changed in 2009. In Asia, ARKEMA maintained all its growth projects in line with its objective to strengthen its development in this region of the world and achieve sales in the region representing 20% of the Group's overall sales by 2012. Investments in the region rose by 24% compared to 2008 at €51 million, accounting for 17% of the Group's investments in 2009 against 12% in 2008. The share of investments made in North America also rose from 17% in 2008 to 22% in 2009. As a result, the share of investments made in Europe decreased to 61% from 70% in 2008.

These cash flows also included the impact of all portfolio management operations finalized in 2009. The net amount of acquisitions and divestments of shares and assets amounted to -€26 million, mostly relating to the acquisition of assets of the company Geo Specialty Chemicals.

Cash flow excluding non-recurring items

Non-recurring items amounted to -€84 million (-€110 million in 2008). They include primarily expenses relating to restructuring plans amounting to -€78 million.

If one excludes these non-recurring items and the impact from divestment and acquisitions, recurring cash flow stood at €312 million in 2009 against €124 million in 2008.

Free cash flow

In line with the priority given to cash generation in 2009, ARKEMA reported free cash flow of €228 million, well above its initial target of positive free cash flow for the year.

Cash flow from financing activities

Cash flow from financing activities amounted to -€171 million in 2009 against -€12 million in 2008. This includes the payment of a dividend of €0.60 per share, for a total amount of -€36 million, and a net reduction of short-term and long-term debt totalling -€133 million.

9.2.8 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 Southern Europe;
- in some of ARKEMA's businesses, particularly those serving refrigeration markets, the level of sales is generally higher in the first half of the year than in the second half; and
- the major maintenance turnarounds at ARKEMA's production plants tend to take place in the second half of the year rather than in the first half.

These seasonal effects are not necessarily representative of future trends, but could have a material effect on the changes in results and working capital from one quarter of the year to another. Revenue received from ordinary business on a seasonal, cyclical or occasional basis in a given year is not anticipated at an interim date or deferred to an interim date if anticipating such revenue at the end of the year or deferring it to the end of the year is not appropriate.

9.3 Financial information on the Company's financial statements, financial condition and results

9.3.1 2009 annual Company's financial statements

The Company's annual financial statements for 2009 are included in chapter 20 of this reference document.

9.3.2 Report of the statutory auditors on the 2009 Company's financial statements

The report from KPMG Audit and Ernst & Young Audit, statutory auditors, on the Company's annual financial statements for 2009 is included in chapter 20 of this reference document.

9.4 Fees paid to statutory auditors

The amount of fees paid to the statutory auditors is provided in chapter 20 of this reference document.

10 Cash and shareholders' equity

10.1 Description of Group cash flow

For a detailed description of the Group's cash flows, please refer to section 9.2.7 of this reference document. Moreover, the variation in the short term and long term debt is detailed in the consolidated cash flow statements included in the Group's consolidated financial statements.

10.2 Borrowing terms and conditions and financing structure of the Group

The Group has a revolving multi-currency credit facility in the maximum amount of €1.1 billion; besides, a securitisation program in the maximum amount of €300 million should be set up before the end of June 2010.

10.2.1 Revolving multi-currency credit facility

On 31 March 2006, Arkema S.A. and Arkema France (the ***Borrowers***) and a syndicate of banks signed a revolving multi-currency credit facility in the maximum amount of €1.1 billion (the ***Facility***).

The purpose of the Facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes for a period of five years with an option for an additional period of one or two years. The banks have exercised in 2007 their option to extend the period by a further 12 months in the amount of €1,094 million. In 2008 the banks have also exercised their option to extend the period by a further 12 months in the amount of €1,049 million. Thus, the maximum amount of Credit stands at (i) €1,100 million until 31 March 2011, (ii) €1,094 million until 31 March 2012, and (iii) €1,049 million until 31 March 2013.

Other Group companies have the possibility to become borrowers under the Facility, in the same capacity as Arkema S.A. and Arkema France.

The Facility provides for prepayment in certain cases, including a change of control over Arkema S.A. (defined as any person, acting alone or in concert, holding, directly or indirectly, more than one third of the voting rights of Arkema S.A.). Should this clause be triggered by a lender, it could lead to prepayment and cancellation of the commitments of such lender.

The Facility contains representations to be made by each Borrower relating, among other things, to the accounts, litigation, or the absence of events of default. Some such representations have to be reiterated at the time of each utilization request, in particular, the representation pertaining to the continued validity and enforceability against the guarantors of the guarantees granted by Total S.A. and certain entities of Total S.A. as described in section 22.2 of this reference document.

The Facility also contains the standard undertakings for this type of agreement, including:

(i) information undertakings (mainly accounting and financial information);

(ii) undertakings relating, among other things, to certain restrictions in connection with (but not limited to) the granting of securities (*sûretés réelles*), 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. Thus, securitisation of trade receivables is permitted subject to the amount of the receivables sold not exceeding €300 million;

(iii) a financial undertaking: Arkema S.A. undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3.

The Facility also stipulates the standard events of default for this type of transaction, which could lead to an acceleration of the Facility, including (but not limited to) the following: failure to provide one of the representations or misrepresentation (initial representations or reiterated representations during the life of the Facility); payment default; failure to meet any of the aforesaid undertakings; cross-default and the advent of insolvency proceedings. In some cases, the acceleration of the Facility may be subordinated to exceeding certain authorized thresholds, to materiality testing (such as the material adverse effect on the legal, business, financial or other situation of the Group taken as a whole), or the expiration of grace periods.

Lastly, Arkema S.A. guarantees on a joint and several basis to the Banks the obligations of the other Borrowers under the terms of the Facility. The Facility is not subject to any other personal guarantee or security.

10.2.2 Securitisation program

ARKEMA has signed in February 2010 a mandate for the arrangement of a securitisation program for the trade receivables of Arkema France in the maximum amount of €300 million of receivables. The program's documentation shall include early repayment clauses, in particular non-compliance with the usual financial performance ratios of the receivables portfolio (dilution, late or non-payment ratios), payment cross-acceleration, or a change of control of Arkema France or Arkema S.A. This program shall not be unconsolidating.

10.3 Off-balance sheet commitments

The presentation made in this reference document does not omit the existence of a significant off-balance sheet commitment according to the accounting norms in force.

10.4 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.

10.5 Anticipated sources of financing for future investments

Given the Group's current cash position and sources of financing described in section 10.2 above, the Group believes that it is in a position to finance its future investments, in particular those described in sections 5.2 and 8.1.1 of this reference document.

10.6 Dividend policy

The Board of Directors which met on 3 March 2010 decided, on closing the 2009 financial statements, to propose to the Annual General Meeting on 1 June 2010 a resolution under which it will recommend that the dividend in respect of 2009 be maintained at the same level as the previous year, namely €0.60 per share.

This proposal reflects confidence in the Group's outlook and strong balance sheet.

In 2009, the Company distributed a dividend of €0.60 per share in respect of 2008. The previous year, Arkema distributed for the first time a dividend of €0.75 per share in respect of 2007.

In the future Arkema will seek to maintain the distribution of a dividend the amount of which can be adapted to its performance as well as the economic environment.

11 Research and Development

11.1 Research and Development

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

In 2009 R&D expenses accounted for around 3% of Group's sales. The Group intends to keep up this research effort in the coming years in order to develop ever more innovative products, optimize the performance of its manufacturing units, and develop new processes. The Group's R&D function employs over 1,100 researchers, mainly split between six research centers located in France, the United States and Japan.

The R&D department, which reports to the Chairman and CEO, coordinates all the Group's research programs on a worldwide scale. It is responsible for ensuring that the strategic projects funded and controlled by the BUs are scientifically and technologically relevant and that they are consistent with the Group's overall strategy. R&D policy and the corresponding level of expenses are adapted in the long term to each of the Group's three segments: Vinyl Products, Industrial Chemicals, and Performance Products. The R&D department focuses on two main areas: ultra high performance polymers and developing solutions for sustainable development. To carry through these projects, it relies on a dedicated structure called "incubator". In 2009, this structure in particular developed a self-healing rubber under the brand name Reverlink™.

Indeed, ARKEMA considers sustainable development as one of the key axes of its research strategy by developing a wide range of innovative materials for its customers in sectors such as energy savings, renewable raw materials, nanostructured materials and by developing the processes of the future.

R&D expenses were split as follows:

- Vinyl Products segment: 12%;
- Industrial Chemicals segment: 33%;
- Performance Products segment: 39%;
- "Corporate" R&D program, to prepare for the innovations of the future, defined each year by the R&D department and submitted to the executive committee for approval: 16%.

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

- in 2007, a new range of CECABASE® RT bitumen additives for warm mix asphalt, the result of three years' research, rewarded by the Pierre Potier Prize in 2007, the International Road Federation Award in 2008, and the ICIS Innovation Award in 2009 (the technical potential of these additives was confirmed in 2009 with the construction of motorways with a very thin carriageway);
- in 2008, a new range of Evatane® high content vinyl acetate resins specially developed to meet the needs of the new technologies used to assemble photovoltaic panels;
- the Rilsan® Techline polyamide grade: a new Rilsan® polyamide from the minicoat family for metal hooks and adjusters in garment manufacture;
- two new Jarylec® GA and GT dielectric additives for optimizing the performance of electric transformers.

Drawing on the experience it has gained with Rilsan® polyamide, which today is still the only high performance polyamide entirely derived from renewable raw materials, ARKEMA has adopted an eco-design approach through its R&D to develop new bio-sourced products:

- in 2009, the Group marketed a new polyamide under the brand name Rilsan® HT (this grade combines much greater temperature resistance than others in the range with chemical stability and flexibility);
- the new Apolhya® Solar range of thermoplastics offers outstanding transparency for new generation photovoltaic panels;
- in 2008, an acrylic resin containing 20% renewable carbon marketed under the brand name Altuglas® Rnew; and
- in 2009, the Pebax Rnew® 100 polymer (thermoplastic elastomer) and Rilsan® Clear Rnew polyamide (transparent thermoplastic) entirely derived from renewable resources.

Numerous collaborations have been entered into with the European Commission (under the 5th and 6th Framework Programs for Research and Technological Development – FPRTD), and with several French organizations such as *Agence nationale de la recherche* (*ANR*, National Research Agency), *Agence de l'environnement et de la maîtrise de l'énergie* (*ADEME*, Environment and Energy Agency), and *Fond Unifié Interministériel* (Unified Interministerial Fund) enabling the Group's R&D efforts to enjoy joint public funding as well as active collaboration with many partners. ARKEMA's participation in a number of competitiveness clusters, in particular AXELERA which it has chaired since 10 September 2009, provides ARKEMA's R&D with comprehensive technological and co-development intelligence.

The links between the Group and its university partners network reflect also the quality of its innovation process. These relations include research contracts, doctoral or postdoral funding for students, but also through original and innovative structures. Thus, ARKEMA takes part in industrial chairs, as the chair of bioplastics with Mines-Paritech or the chair of Excellence in organic electronics in Bordeaux, and has established close relations in major structural research programs, for example with IPB's laboratories in Bordeaux or with ENSIC in Lorraine.

The GENESIS project, funded by OSEO, has entered its second year of operation. The first review of this project has been validated by the financing body, with the program continuing to develop nanomaterials based on the Group's chemistry.

11.1.1 Vinyl products segment

Vinyl Products, some of which are known under the Lacovyl®, Nakan® and Lucobay® brand names, have numerous applications in medicine, sports and leisure, automotive, construction and public works, housing, hygiene and healthcare, household electrical equipment, and water treatment.

The objectives of the segment's R&D are to enhance the quality of existing products and to improve the productivity and reliability of the plants by optimizing the processes used.

Additionally, the Vinyl Products segment is regularly involved in sustainable development projects. For example, it has developed the end-of-life recycling of Nakan® compounds, and as part of European programs, has contributed to developing PVC from ligno-cellulosic biomass.

In 2008 ARKEMA and AKER Solutions signed a memorandum of understanding for global cooperation on marketing ARKEMA's proprietary PVC technology, making ARKEMA's PVC process one of the world's leading technologies available for license.

11.1.2 Industrial chemicals segment

The objectives of the Industrial Chemicals segment's R&D are to keep the processes competitive and find new applications, as well as new outlets for the Group's products. One of the major aims is therefore the constant improvement of the main processes (acrylics, fluorochemicals and sulfur products) in order to make them safer, more reliable and productive, and therefore more competitive. To this end, R&D uses new raw materials and carries out tests on new catalysts and new types of reactors. In addition, formulation teams work on the development of new applications for products developed by R&D.

The project aiming to produce acrylic acid from renewable raw materials like glycerol is part of this approach. The patent portfolio regarding this synthesis path comprised, at the date of this reference document, 4 granted patents, 10 published patents under examination, and a number of unpublished patent applications.

Moreover the Industrial Chemicals segment confirms its ambition to follow the trends of its various markets over the long term, in terms of both geography and applications, and to remain one of the world leaders in fluorochemicals.

11.1.3 Performance products segment

The Performance Products segment's R&D is primarily focused on tomorrow's materials.

2007 saw the development and commercial launch at the K'07 tradeshow of two new Pebax® polymer groups: Pebax® Clear, a range of transparent polymers for sports (ski boots) and leisure (spectacle frames) applications, and the Pebax® Rnew range, partly bio-sourced as the polyamide block is polyamide 11 (the monomer of which is derived from a vegetable oil).

A new polyamide powder was also developed, produced on a pilot line and then on an industrial scale for the cosmetics emulsions market, and was launched at the In Cosmetics tradeshow in Paris under the tradename Orgasol® Caresse.

A new Rilsan® Techline grade, the latest member in the "minicoat" family, was launched from the polyamide/copolyamide powder range.

Additionally, in line with its ongoing expansion strategy in performance materials, ARKEMA acquired at the end of 2008 the American company Oxford Performance Materials, Inc. (OPM), which generates sales of the order of US$2 million in polyether ketone ketone, which are ultra high performance technical polymers marketed under the tradename Oxpekk®.

In 2009, the Group marketed a new polyamide under the brand name Rilsan® HT which combines far greater resistance to temperature than the other polyamides with chemical stability and flexibility. This makes this polyamide a unique material to meet the needs of the automotive market.

ARKEMA is pursuing its initiative to replace fossil raw materials with bio-based raw materials. This is fully in line with its sustainable development policy. The Pebax® Rnew 100 thermoplastic elastomer and the Rilsan® Clear Rnew ultra transparent polyamide, entirely processed from renewable resources, were launched in 2009.

Additionally, the Company launched under the brand names Pebax® MH 2030 and Pebax® MV2080 two new ultra antistatic materials offering the high conductivity standards required for the packaging of sensitive electrical components and flammable or explosive compounds.

Finally, the new Apolhya® Solar range (nanostructured thermoplastic) offers outstanding transparency for new generation photovoltaic panels.

Thus the Performance Products segment ensures its growth by broadening its range of products and by adapting its products' performances and functions to new market demands.

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

The ambition of the Performance Products segment is to achieve by 2010 20% of its sales from new products developed within the last 5 years.

11.2 Industrial property rights

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

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

11.2.1 Patents

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

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

The number of patents granted and the number of applications filed for patents are good indicators of investments in and quality of R&D. At 31 December 2009, the Group owned 5,138 patents. At the same date, it had 3,649 patents pending (all patent applications made according to a centralized procedure – like that of the World Intellectual Property Organization (WIPO) – are accounted for as one application, even though the application may lead to the granting of several patents, depending on the number of countries covered by the application). During 2009, the Group filed 192 applications for priority patents.

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. It also lodges opposition against them.

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 licenses to meet its operational needs. Lastly, in respect of inventions made by employees, the Group implemented in 1989 a system ensuring additional remuneration for inventors among its employees if patents for their inventions are commercially exploited.

11.2.2 Trademarks

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

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

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

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

The two administrative opposition procedures launched by a Spanish company against certain trade name registrations is now closed; ARKEMA therefore now believes at the date of this reference document that there are no more known risks pertaining to the use of the "ARKEMA" brand.

12 Information on market trends

12.1 Main trends

In late 2008 and in 2009, ARKEMA operated in a tough environment characterized in particular by the sharp decline in demand in many market segments in the 4th quarter 2008, amplified by massive de-stocking by customers. This unprecedented collapse in demand weighed on volumes. In the second half of 2009 and up to the date of this reference document, market conditions improved markedly in Asia, especially in China, while in North America and in Europe demand showed a modest recovery.

Furthermore, the business environment in which the Group operates is characterized, at the date of this reference document, by (i) some increase in the cost of energy and raw materials following the sharp collapse that succeeded the record levels reached at the end of 2008, (ii) the weakness of some currencies vs the euro, *e.g.* the US dollar (despite its recent strengthening) and the Chinese yuan, (iii) a noticed volatility of the markets, (iv) the ongoing rise of the Chinese economy despite the current crisis, (v) increasing regulations notably in Europe (for instance REACH and Emission Trading Scheme (ETS) regulations in Europe), and (vi) continuing efforts by the Group's main competitors to improve productivity.

The consolidation movements in the world chemical industry announced in 2008 and beginning of 2009 (acquisitions of Lucite by Mitsubishi Rayon Corp., of Ciba by BASF, of Rohm & Haas by The Dow Chemical Company, etc.) were completed in 2009, and then followed by various more focused operations. Such is the background to the acquisition by ARKEMA on 25 January 2010 of certain North American acrylic assets of The Dow Chemical Company.

Moreover, there is no reason to expect the long-term growth rates in the Group's main markets as described in chapter 4 of this reference document could be significantly affected over the long term, even if there is no guarantee that these trends will endure, given the uncertainties over the future of the economy in general, the markets in which the Group is active, raw material prices, energy prices, and exchange rates.

12.2 Factors likely to affect the Group's outlook

Some of the statements regarding the Group's outlook contained in this reference document are based on the current opinions and assumptions of the Group's senior management. This information is subject to certain risks, both known and unknown, and to uncertainties. Consequently, actual results, performance or events may differ substantially from such outlook. Some factors that may influence future results are, without being exhaustive:

- general market- and competition-related factors that could affect operations 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, especially the price of oil and oil derivatives;
- the Group's sensitivity to fluctuations in interest rates and in currencies other than the euro, particularly the US dollar and currencies influenced by the US dollar;
- the Group's capacity to introduce new products and to continue to develop its production processes;
- concentration of customers and of the market;
- risks and uncertainties relating to conducting business in many countries that may in the future be exposed or have recently been exposed to economic or political instability;
- changes in economic and technological trends;
- potential complaints, costs, commitments or other obligations relating to the environment.

13 Outlook

Since its operational creation in October 2004, the Group has undertaken an in-depth transformation by implementing a strategy focused on improving its results and preparing its future growth. This is based on various plans to improve competitiveness, several targeted growth projects, many projects in the field of innovation, and the selective management of its portfolio. The Group plans to pursue this strategy over the coming years.

For 2010, the Group has cautious economic assumptions. The more positive trends observed in the markets in the last quarter 2009 should continue in the first six months of 2010, albeit with contrasted situations from one region to another. In Asia, demand should remain strong, while certain more positive signs of recovery are being seen in the United States. In Europe, visibility remains more limited. The renewable energies sector (photovoltaics, lithium-ion batteries, etc.) should see sustained growth, whereas market conditions should remain challenging for Vinyl Products at the beginning of the year. Finally, unit margins for Acrylics could gradually improve. Meanwhile, ARKEMA will closely monitor in 2010 the evolution of the cost of its raw materials.

In this context, the Group will continue to manage its cash strictly, work on improving its costs, further develop in Asia, and make further progress in high performance polymers and renewable energies. Thus, the Group intends to (i) limit its capital expenditure below €300 million, and (ii) maintain its working capital at approximately 16% of its sales. As regards improving its competitiveness, the Group considers that the implementation of its strategy should allow it to cut fixed costs by approximately €90 million in 2010, with an EBITDA gain of €40 million, and hence achieve its stated programme of reducing its fixed costs by approximately €600 million between 2005 and 2010.

Combined with the absence of negative stock effect (€-40 million in 2009), these initiatives should allow ARKEMA to report an EBITDA in 2010 significantly above 2009.

Additionally, the Group considers that it could improve its operating margin (EBITDA as a percentage of sales) up to 12% in 2011 defined in a normalized economic environment.

Over the next five years, ARKEMA intends to further consolidate its activities portfolio and its development in fast-growing regions of the world. Thus, the Group will pursue the development of growth relays in its best product lines, with the aim of (i) increasing to 20% the share of its sales in Asia by 2012, and to 22% by 2014, and (ii) generating €400 million sales from new high added value products within the same timescale.

In Acrylics, the integration of the activities recently acquired from The Dow Chemical Company is a major milestone in ARKEMA's transformation, illustrating the Group's ambition for this product line. By 2014, the Vinyl Products segment should account for 14% of Group sales, the Acrylics activities (monomers + polymers) 20%, the other Industrial Chemicals activities (Thiochemicals, Fluorochemicals, Methacrylates, H_2O_2) 36%, and Performance Products 30%. From a geographic viewpoint, the share of sales in Europe should drop to 41%, whereas North America and Asia should grow gradually to 32% and 22% respectively.

In a normalized economic environment, ARKEMA targets an EBITDA margin of over 13.5% in 2014 which can be split by business segment as follows: 8 to 9% for Vinyl Products, 14 to 15% for the Acrylics sector, 17% for Industrial Chemicals excluding Acrylics, and 15% for Performance Products.

The Group has also stressed that reaching these targets for EBITDA relative to sales is based on assumptions deemed fair by the Group within this time frame as of the date of this reference document (in particular evolution of worldwide demand, conditions for raw material and energy prices, and balance of supply and demand for products sold by ARKEMA, the prices of these products, and exchange rates). However, this target does not take into account the materialization of some risks described in chapter 6 of this reference document, or unknown factors relating to the economic, financial, competitive or regulatory environment in which the Group operates, liable to affect these targets.

14 Administrative bodies and general management of the Company

A summary of the main provisions of the Articles of Association applying to the Board of Directors, its operation and its powers is provided in section 15.1 of this reference document.

14.1 Board of Directors

At 31 December 2009, the Company was run by a Board of Directors comprising nine members, eight of whom being considered as independent.

Since the beginning of 2009, the following changes have been made to the composition of the Board of Directors:

- Mr Marc Pandraud was appointed Director of the Company at the Ordinary General Meeting on 15 June 2009;
- Mrs Isabelle Kocher was coopted to the Board at the Board of Directors meeting on 9 November 2009, replacing Mr Tidjane Thiam who has resigned from the Board.

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:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2011 financial year **Number of shares held at 31 December 2009:** 13,797	***Current:*** **France** ➤ Chairman of the Board of Directors, Arkema France **International** None ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** ➤ Chairman and Chief Executive Officer, Arkema France ➤ Chief Executive Officer, Grande Paroisse ➤ Director, Cray Valley ➤ Director, Bostik Findley S.A. ➤ Director, Cerexagri Inc.

FRANÇOIS ENAUD	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2010 financial year **Number of shares held at 31 December 2009:** 301	***Current:*** **France** ➤ Manager, Groupe Steria SCA ➤ Chairman and Chief Executive Officer, Steria S.A. ➤ Director, Steria S.A. ➤ Director, Agence Nouvelle des Solidarités Actives (ANSA) **International** ➤ Director, Steria UK Limited ➤ Director and Chairman of the Board of Directors, Steria Holding Limited ➤ Director, Steria Limited ➤ Member of the Board of Directors, Steria Mummert Consulting A.G. ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** ➤ Chairman and Director, Steria Iberica ➤ Director, Harrison & Wolf S.A. ➤ Chairman and Director, Steria Solinsa ➤ Co-manager, Steria GmbH Langen

BERNARD KASRIEL	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2009:** 1,100	***Current:*** **France** ➤ Partner and member of the Management Board, LBO France ➤ Director, Lafarge ➤ Director, L'Oréal **International** ➤ Director, Nucor (USA) ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** ➤ Vice-Chairman of the Board of Directors, Lafarge ➤ Chief Executive Officer, Lafarge ➤ Vice-Chairman and Chief Executive Officer, Lafarge ➤ Director, Sonoco Products Company (USA)

ISABELLE KOCHER	
Main office held within the Company: Director **Date of first appointment:** 9 November 2009 **Date appointment expires:** AGM held to approve accounts for 2010 financial year **Number of shares held at 31 December 2009:** 300	***Current:*** **France** ➤ Chief Executive Officer and Director, Lyonnaise des Eaux France (since 25 September 2009) ➤ Chairman and Chief Executive Officer, Eau et Force ➤ Chairman and Chief Executive Officer, SDEI ➤ Director, Société des Eaux de Marseille ➤ Director, SAFEGE ➤ Director, R+I Alliance ➤ Director, Degrémont ➤ Permanent Representative of Lyonnaise des Eaux France to Conseil d'Eau du Sud Parisien ➤ Permanent Representative of Lyonnaise des Eaux France to Conseil de SCM ➤ Permanent Representative of Eau et Force, Manager of SNC Sequaris **International** None ***Held in the past five years but now expired:*** **Expired in 2009** ➤ Director, FLUXYS (until April 2009) **Expired 2004 to 2008** None

LAURENT MIGNON	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2010 financial year **Number of shares held at 31 December 2009:** 300	***Current:*** **France** ➤ Chief Executive Officer Natixis SA ➤ Permanent Representative of Natixis, censor at the Supervisory Board of BPCE (since 25 August 2009) ➤ Director, Sequana Capital ➤ Director of CA NGAM (Natixis Global Asset Management) (since 11 September 2009) ➤ Director of Coface SA (since 27 October 2009) **International** ➤ Director, Lazard Ltd (since 28 July 2009) ***Held in the past five years but now expired:*** **Expired in 2009** ➤ Managing Partner, Oddo et Cie (13 May 2009) ➤ Chairman and Chief Executive Officer, Oddo Asset Management (13 May 2009) ➤ Permanent Representative, Oddo et Cie, Managing Partner, Oddo Corporate Finance (13 May 2009) ➤ Director, Cogefi SA (13 May 2009) ➤ Director, Génération Vie (13 May 2009) ➤ Member of the Supervisory Board, Banque postale gestion privée (13 May 2009) **Expired 2005 to 2008** ➤ Chairman of the Supervisory Board, Oddo Corporate Finance ➤ Chairman and Chief Executive Officer, Banque AGF ➤ Chairman of the Board of Directors, AGF Private Banking ➤ Chairman of the Board of Directors, AVIP ➤ Chairman of the Supervisory Board, AGF Asset Management ➤ Chairman of the Supervisory Board, W Finance ➤ Permanent representative of AGF International on the Board of AGF IART ➤ Permanent representative of AGF Holding on the Board of Bolloré Investissement ➤ Permanent representative of AGF Vie on the Board of Bolloré ➤ Permanent representative of AGF Holding on the Board of AGF Private Equity ➤ Director, Gécina ➤ Chairman of the Board of Directors, AGF Assurances Financières ➤ Chairman of the Board of Directors, Assurances Fédérales IARD ➤ Chairman of the Board of Directors, GIE Placement d'assurance ➤ Vice-Chairman of the Supervisory Board, W Finance ➤ Director, Enténial ➤ Director, Meteo Transformer (Guernsey) ➤ Permanent representative of AGF Holding on the Board of Génération Vie ➤ Permanent representative of AGF Holding on the Board of Métropole S.A. ➤ Permanent representative of AGF on the Board of Worms & Cie ➤ Chairman of the Supervisory Board, AGF Assurances Financières ➤ Chairman and Chief Executive Officer, AGF Vie ➤ Chief Executive Officer, AGF Vie ➤ Deputy Chief Executive Officer, AGF ➤ Chairman of the Board of Directors, AGF IART ➤ Chairman of the Supervisory Board, AGF Informatique ➤ Vice-Chairman of the Board of Directors, Sequana Capital ➤ Member of the Supervisory Board, Euler Hermès ➤ Director, AGF Holding ➤ Deputy Chief Executive Officer, AGF Holding ➤ Director, AGF International ➤ Director, AGF Asset Management

	➤ Director, W Finance ➤ Member of the Supervisory Board, Oddo et Cie ➤ Chairman of the Board of Directors, Génération Vie ➤ Chairman of the Board of Directors, Coparc ➤ Vice-Chairman of the Supervisory Board, Euler Hermès ➤ Director, GIE Placements d'assurance ➤ Chairman of the Supervisory Board, AVIP
THIERRY MORIN **Main office held within the Company:** Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2009:** 1,000	***Current:*** **France** ➤ Chairman of the Board of Directors, Institut National de la Propriété Industrielle (INPI) ➤ Director, CEDEP **International** None ***Held in the past five years but now expired:*** **Expired in 2009** ➤ Chairman and Chief Executive Officer, Valeo ➤ Chairman, Valeo Finance ➤ Chairman, Valeo Service ➤ Chairman, Valeo Thermique Habitacle ➤ Manager, Valeo Management Services ➤ Chairman, Valeo SpA ➤ Chairman, Valeo Japan Co., Ltd ➤ Chairman, Valeo (UK) Limited ➤ Manager, Valeo Auto-Electric Beteiligungs GmbH ➤ Manager, Valeo Germany Holding GmbH ➤ Manager, Valeo Grundvermögen Verwaltung GmbH ➤ Manager, Valeo Holding Deutschland GmbH ➤ Director, Valeo Service España SA ➤ Director, Valeo Iluminacion SA ➤ Director, Valeo Termico SA **Expired 2004 to 2008** ➤ Director, Valeo Systèmes de Liaison ➤ Chairman of Valeo Espana SA ➤ Chairman, Société de Participations Valeo ➤ Chairman, Valeo Bayen ➤ Chairman, Valeo International Holding BV ➤ Chairman, Valeo Holding Netherlands BV ➤ Director, Valeo Climatisation ➤ Director, Valeo Services Ltd
MARC PANDRAUD **Main office held within the Company:** Director **Date of first appointment:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2009:** 500	***Current:*** **France** ➤ General Manager of Deutsche Bank's activities in France **International** None ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** None
JEAN-PIERRE SEEUWS **Main office held within the Company:** Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2011 financial year **Number of shares held at 31 December 2009:** 3,505	***Current:*** None ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** ➤ Director, Cook Composites & Polymers ➤ Director, Total Petrochemicals USA Inc. ➤ Director, Total Composites Inc. ➤ Director, Bostik Findley Inc. ➤ Director, Kalon Group plc

PHILIPPE VASSOR	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2009:** 300	***Current:*** **France** ➤ Chairman, Baignas S.A.S. ➤ Chairman, DGI Finance SAS ➤ Director, Groupama S.A. ➤ Director, Infovista and Chairman **International** None ***Held in the past five years but now expired:*** **Expired in 2009** None **Expired 2004 to 2008** None

It will be proposed to the combined annual general meeting on 1 June 2010 to (i) ratify the appointment by cooptation of Mrs Isabelle Kocher, (ii) appoint Mrs Claire Pedini as a Director, and (iii) appoint a director representing employee shareholders (for further details on these resolutions, see annexes 4 and 5 to this reference document).

Thierry Le Hénaff

Thierry Le Hénaff, born in 1963, holds degrees from *École polytechnique* and *École nationale des Ponts et Chaussées* and a Master's degree in Industrial Management from Stanford University in the United States. He is a *Chevalier de l'Ordre National du Mérite*.

After starting his career with Peat Marwick Consultants, in 1992 he joined Bostik, Total S.A.'s Adhesives Division, where he held a number of operational positions in France and worldwide.

In July 2001, he was appointed Chairman and Chief Executive Officer of Bostik Findley, the new entity resulting from the merger of Total S.A.'s and Elf Atochem's Adhesives divisions.

On 1 January 2003, he joined Atofina's Executive Committee, where he was in charge of three BUs (Agrochemicals, Fertilizers and Thiochemicals) and three functional divisions.

He has been Chairman and Chief Executive Officer of Arkema S.A. since 6 March 2006, and Chairman of the Board of Directors of Arkema France since 18 April 2006, in which he was Chairman and Chief Executive Officer since 2004.

François Énaud

François Énaud, born in 1959, holds a degree from the *École Polytechnique* and graduated as a civil engineer from the *École nationale des Ponts et Chaussées*. He has been Chairman and Chief Executive Officer of Steria since 1998.

After spending two years with Colas as works engineer (1981-1982), François Énaud joined Steria in 1983, where he held various management positions (Technical and Quality division, Chief Executive Officer of a subsidiary, Transport division and Telecom division), before becoming Chief Executive Officer.

Bernard Kasriel

Bernard Kasriel, born in 1946, holds a degree from *École Polytechnique*, and a Master of business administration from Harvard Business School and from INSEAD. He has been a partner of LBO France since September 2006.

He joined Lafarge in 1977 as Executive Vice-President (and then Chief Executive Officer) of the health division. He was appointed Executive Vice-President of the Lafarge group and member of its executive committee in 1981. After spending two years in the United States as Chairman and Chief Operating Officer of National Gypsum, in 1989 he became Director and Chief Executive Officer, then Vice-Chairman and Chief Executive Officer of Lafarge in 1995. He was Chief Executive Officer of Lafarge from 2003 to end 2005.

Before joining Lafarge, Bernard Kasriel had begun his career at the *Institut de développement industriel* (1970), before becoming Chief Executive Officer in regional companies (1972), and then joining the Société Phocéenne de Métallurgie as Executive Vice-President (1975).

Isabelle Kocher

Isabelle Kocher, born in 1966, graduated from *École Normale Supérieure* and is a *Corps des Mines* engineer. She has been Managing Director of Lyonnaise des Eaux since 2007.

Isabelle Kocher was in particular responsible for the post and telecommunications and the defence budgets at the Ministry for Economy, Finance and Industry from 1997. From 1999 to 2002, she was Industrial Affairs Adviser to the Prime Minister.

She joined the Suez Group's Strategy and Development Department in 2002 as Managing Director in charge of performance and organization until 2007.

Laurent Mignon

Laurent Mignon, born in 1963, is a graduate of HEC and the Stanford Executive Program. He has been Managing Director of Natixis since May 2009.

From September 2007 to May 2009, he was Managing Partner of Oddo et Cie alongside Philippe Oddo, in charge particularly of asset management (Oddo Asset Management), corporate finance (Oddo Corporate Finance), and of overseeing permanent control. Prior to this, he was Managing Director of the AGF Group, Chairman of the Executive Committee, and a member of the International Executive Committee of Allianz from January 2006 to June 2007. He joined AGF in 1997 as Chief Financial Officer, and was appointed member of the executive committee in 1998. In 2002 he was appointed to head the investment activities of Banque AGF, of AGF Asset Management, AGF Immobilier, and, in 2003, of the Life and Financial Services sector (asset management, banking, real estate) and of Credit Insurance (Euler Hermes Group).

Before joining the AGF Group, for over 10 years he held various positions in the banking business within Indosuez Bank, ranging from trading to investment banking. In 1996 he joined Schroders Bank in London, in charge of mergers and acquisitions of financial institutions in France.

Thierry Morin

Thierry Morin, born in 1952, holds an MBA from Paris IX – Dauphine University.

An *Officier de l'Ordre National du Mérite*, and a *Chevalier de la Légion d'Honneur et des Arts et des Lettres*, he is also Chairman of the Board of Directors of INPI (*Institut National de la Propriété Industrielle*) and a Director of CEDEP.

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

Marc Pandraud, born in 1958, is a graduate of *École Supérieure de Commerce*, Paris. He has headed Deutsche Bank's activities in France since June 2009.

He began his career as an auditor with Peat Marwick Mitchell (1982-1985). Subsequently he was Vice President of Bear Stearns & Co Inc. (1985-1989), Chief Executive of SG Warburg France SA (1989- 1995), Chief Executive of Deutsche Morgan Grenfell (1995-1998), then Chief Executive in charge of investment banking (1998). He later joined Merrill Lynch as Chief Executive of Merrill Lynch & Co Inc. (1998) and Chief Executive of Merill Lynch France (1998) before becoming President of Merrill Lynch France (2005- 2009). Marc Pandraud is a *Chevalier de l'ordre national du Mérite*.

Jean-Pierre Seeuws

Jean-Pierre Seeuws, born in 1945, holds a degree from *École polytechnique*.

In 1967 he joined Rhône-Poulenc, where he was responsible for the production and chemical engineering sectors. In 1981, he became Chief Executive Officer of the Base Mineral Chemicals, Films and then Fine Minerals businesses. In 1989 he joined Orkem as divisional Chief Executive Officer and became Deputy Chief Executive Officer of Total's Chemicals business (and a member of the Management Committee) in 1990. He has been Chief Executive Officer of Total's Chemicals business since 1995 and Chairman of Hutchinson since 1996. He was a member of Total S.A.'s Executive Committee between 1996 and 2000.

Between 2000 and 2005, Jean-Pierre Seeuws was Total's general delegate for Chemicals in the United States and Chief Executive Officer of Atofina Chemicals Inc. and Total Petrochemicals Inc.

Philippe Vassor

Philippe Vassor, born in 1953, holds a degree from *École supérieure de commerce* in Paris 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 & Touche 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).

14.2 Management

Thierry Le Hénaff, Chairman of the Board of Directors, also serves as Chief Executive Officer, under the conditions specified in sections 14.1 and 15.5 of this reference document.

The Chairman has set up an Executive Committee to assist him in the management of the Group.

The following people sit on the Executive Committee: Thierry Le Hénaff, Bernard Boyer, Michel Delaborde, Alain Devic, Pierre Chanoine, Thierry Lemonnier, Marc Schuller and Otto Takken.

Thierry Le Hénaff

See section 14.1 above.

Bernard Boyer

Bernard Boyer, born in 1960, holds degrees from *École Polytechnique and École nationale supérieure des pétroles et moteurs*.

He has spent his 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.

As of the date of this reference document, Bernard Boyer is the Executive Vice-President with responsibility for Strategy, responsible for strategic planning, economic research, acquisitions and disposals, internal auditing, insurance and risk management.

Michel Delaborde

Michel Delaborde, born in 1956, holds a degree in economics from *Université de Paris, Sorbonne*.

In 1980 he joined Total where he was in charge of human resources for both head office and refineries. After two years as head of the human resources department Trading & Middle-East head office, he was put in charge of communication for Total in 1996, serving as director of communications first for TotalFina, then for TotalFinaElf after the merger in 1999. In 2002 he joined Atofina as director of human resources and communication and was appointed to the Chemicals Executive Committee of Total.

As of the date of this reference document, Michel Delaborde is Executive Vice-President with responsibility for Human Resources and Communication.

Alain Devic

Born in 1947, Alain Devic is a graduate of *École centrale*. For over 30 years, he has held a variety of positions in production facilities and in corporate offices in the French chemical industry.

After holding various positions as engineer with Éthylène Plastiques and CdF Chimie, Alain Devic was assigned to Qatar in 1980 as operations manager running the steamcracker of Qapco. Between 1982 and 1993, Alain Devic held a variety of managerial positions in production, planning/strategy and as plant manager with Copenor and later Norsolor and Grande Paroisse. In 1993, he became managing director of Elf Atochem's petrochemicals complex in Gonfreville.

In 2000, he was appointed director – Industrial Coordination and Human Resources at the head office of the newly created Atofina, before becoming Vice-Executive Officer in June 2002. He was also President of *Union des industries chimiques* from March 2004 to June 2008.

As of the date of this reference document, Alain Devic is Executive Vice-President with responsibility for Industry. In this capacity, he oversees Industrial Safety, Environment and Sustainable Development, Technology, Logistics, Quality, and Goods and Services Procurement.

Pierre Chanoine

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 Group President in charge of Atofina's Urea Formaldehyde Resins business.

As of the date of this reference document, Pierre Chanoine is Executive Vice-President in charge of Performance Products, and oversees the Fluorochemicals Business Unit.

Thierry Lemonnier

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 in the United States.

He joined Total S.A. in 1979 as an economist engineer at the Exploration/Production segment. In 1983, he joined Total S.A.'s Finance/Treasury department. In 1987, he was appointed head of Downstream Affiliates Operations, and in 1993 became Chief Financial Officer for Refining/Marketing. In 2000 he was appointed director of Chemical Affiliates Operations. He then joined Total's Chemical branch in 2001 and was appointed to the Executive Committee, in charge of finance, controlling and accounting.

As of the date of this reference document, Thierry Lemonnier is Executive Vice-President and Chief Financial Officer and is thus responsible for accounting, management control, cash management, legal issues, tax issues, investor relations and IT systems.

Marc Schuller

Marc Schuller, born in 1960, is a graduate of *École supérieure des sciences économiques et commerciales*. He joined Orkem in 1985 as acrylics product manager.

In 1990 he joined the Strategy Segment of Total Chimie and in 1992 he became deputy managing director of the Structural Resins department at Cray Valley. In 1995, he was appointed commercial director Petrochemicals/Special Fluids at Total, and later director Base Petrochemicals at TotalFina.

In 2000, Marc Schuller was appointed director of Atofina's Butadiene/Aromatics BU, and special project manager for the Chairman. In 2003, he became director of the Thiochemicals and Fine Chemicals BU.

As of the date of this reference document, Marc Schuller is Executive Vice-President in charge of Industrial Chemicals. He also oversees Raw Material and Energy Procurement, as well as the Functional Additives Business Unit.

Otto Takken

Otto Takken, born in 1951, is a chartered accountant and holds a Master of Business Administration.

After a number of years as sales manager for a Netherlands-based group, Otto Takken joined the Elf Aquitaine group in 1981, first as Deputy Finance Director in the Exploration-Production division in the Netherlands, then as Head of Project Financing in the Finance division in Paris, and later as Group Finance Director for Refining and Marketing in Germany. In 1999 he moved to the United States to become both Executive Vice-President of Total Holding USA, a holding company for the Total group's assets in the United States, and Finance Director at Atofina Chemicals Inc.

Otto Takken was appointed in 2004 Chief Executive Officer of Alphacan, the leading company in the plastics processing market.

As of the date of this reference document, Otto Takken is Executive Vice-President in charge of Vinyl Products, also overseeing the Group's American affiliates.

14.3 Declarations regarding administrative bodies

As of the date of this reference document there are no family ties between members of the Board of Directors and members of the Executive Committee.

As of the date of this reference document, no member of the Board of Directors or of the Executive Committee has been:

- convicted of fraud during the past five years;
- implicated in a bankruptcy, receivership or liquidation during the past five years;
- charged with any offence or any official public sanction taken against them by statutory or regulatory authorities during the past five years.

To the best of the Company's knowledge, no corporate officer or director has been barred by a court from acting as a member of an administrative, management or supervisory body of an issuer or from participating in the management or conducting the business of a listed company over the past five years.

14.4 Conflicts of interest within administrative bodies and management

There are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors and the senior management and their private interests.

The Company has set up measures to prevent potential conflicts of interest between the directors and the Company, as described in section 15.3.2 of this reference document.

14.5 Information regarding service contracts

None.

14.6 Stock transactions by the directors and members of the Executive Committee of Arkema S.A.

Pursuant to article 223-26 of the General Regulation of the *Autorité des marchés financiers*, the following table features the operations declared by the individuals mentioned in article L.621-18-2 of the *Code monétaire et financier* (Monetary Financial Code) in 2009:

	Financial instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Isabelle Kocher	Shares	Purchase	26 November 2009	Paris	€25.6859	€7,705.77
Marc Pandraud	Shares	Purchase	6 July 2009	Paris	€16.065	€8,032.50

15 Functioning of administrative and management bodies

The following preamble together with sections 15.3, 15.4, 15.5 and 15.7 of this reference document constitute the report required under article L.225-37 of the *Code de commerce* (Commercial Code).

In accordance with the requirements of article L.225-37 of the *Code de commerce*, the Chairman of the Board of Directors has prepared a report dated 3 March 2010 detailing:

- conditions for the preparation and organization of the work of the Board of Directors;
- the rules and principles approved by the Board of Directors to determine the compensation and benefits in kind allocated to directors;
- the internal control procedures adopted by the Company; and
- any limits imposed on the powers of the Chief Executive Officer.

Note that the requirements regarding shareholder participation in annual general meetings are set out in articles 16.3 to 16.6 of the Company's Articles of Association, and factors likely to have an impact in the event of a public offering as well as the composition of the Board of Directors are featured in the Board of Directors' management report referred to in articles L.225-100 *et seq.* of the *Code de commerce.*

This report has been drawn up by a working group in the Finance Department, consisting of representatives from the legal department and the head of the Internal Management Control department. It was submitted to the Audit and Accounts Committee on 1 March 2010 and approved by the Board of Directors on 3 March 2010.

15.1 Functioning and powers of the Board of Directors

15.1.1 Powers of the Board of Directors (article 13 of the Articles of Association)

The Board of Directors determines the guidelines governing the Company's activity and oversees their application. Subject to those powers expressly conferred on the shareholders meetings 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 settles matters falling within its competence through its decisions.

The Board of Directors performs such auditing and verification that it considers appropriate. Each director shall receive from the Chairman of the Board of Directors or the Chief Executive Officer the information necessary for the performance of their duties.

15.1.2 Composition of the Board of Directors

Directors appointed by the general meeting (article 10 of the Articles of Association)

The Company is administered by a Board of Directors, the minimum and maximum number of members of which are defined by the applicable laws. Directors are appointed, revoked and replaced under the terms and conditions set forth in the applicable laws and regulations.

Each director must hold at least 300 of the Company's shares throughout their term of office.

Subject to the laws applicable to provisional appointments made by the Board of Directors, the directors shall serve for a term of office of four years.

The directors' term of office expires at the end of the ordinary general meeting called to vote on the accounts for the previous fiscal year and to be held during the year in which the term expires. The age limit for directors is 67. When a director has reached this age during his term of office, such term shall automatically come to an end.

Directors may receive, as attendance fees, a fixed sum per year, the amount of which is determined by the general meeting and remains in force until adoption of a new resolution. The Board freely distributes attendance fees among its members. In particular, it may allocate to directors who are also members of the committees provided by the Articles of Association a higher portion than that allotted to the other directors. The Board may allocate exceptional compensation to the directors for their performance of missions or mandates assigned thereby.

Costs incurred by the directors in the performance of their duties shall be reimbursed by the Company upon presentation of relevant proof thereof.

It will be proposed to the combined annual general meeting on 1 June 2010 to amend article 10.1.2 of the Articles of Association in order to remove the paragraph that allowed the application of the staggered renewal of the directors' terms of office at the Annual General Meeting on 15 June 2009 (see annex 4 "Draft resolutions proposed to the combined general meeting on 1 June 2010"), as indicated in paragraph 15.3.1 of this reference document.

Director representing employees and appointed by the general meeting (article 10.2 of the Articles of Association)

When the report presented by the Board of Directors at the general meeting pursuant to article L.225-102 of the *Code de* *commerce* states that the number of shares held by employees of the Company and affiliated companies within the meaning of article L.225-180 of said Code amounts to over 3% of the share capital, a director representing the employee shareholders is appointed by the ordinary general meeting in accordance with the procedures set forth by laws and regulations in force and by the Articles of Association, insofar as the Board of Directors does not already include among its members a director representing employee shareholders or an elected employee.

It will be proposed to the combined annual general meeting on 1 June 2010 to (i) appoint a director representing employee shareholders, and (ii) amend this article in order to specify that the term of office of a director representing employee shareholders is the same as that of any director i.e. 4 years. (See annex 4 "Draft resolutions proposed to the combined general meeting on 1 June 2010").

15.1.3 Meetings of the Board of Directors (article 12 of the Articles of Association)

Board of Directors meetings are called as often as required to serve the Company's interest, at the registered office or at any other location indicated in the convening notice.

The convening notice may be delivered without a notice period and by any means, even verbally in urgent cases. The Board of Directors may take valid decisions, even if not convened by a notice, if all of its members are present or represented. Prior to the meeting, directors shall receive the agenda for the meeting and, wherever circumstances allow, a file containing the agenda, minutes of the previous meeting of the Board of Directors, and documentation relating to each agenda item.

Board of Directors meetings are chaired by the Chairman of the Board or, in his absence, by the oldest director in attendance.

15.1.4 Quorum and majority (article 12 of the Articles of Association)

The validity of the Board of Directors' decisions requires at least half of directors to be present, or, when allowed by law, deemed to be present, under the conditions defined by article 2.3 of the Internal Regulations drawn up by the Board of Directors, through videoconferencing or telecommunications means that comply with the technical attributes specified by the laws and regulations in force.

Decisions are taken by a majority of votes of the directors present, deemed to be present or represented. In the event of a tie vote, the Chairman of the meeting holds the casting vote.

15.2 Chairman of the Board of Directors and Chief Executive Officer

15.2.1 Appointment of the chairman (article 11 of the Articles of Association)

The Board appoints a chairman, who must be a natural person, from among its members. The term of office of the chairman automatically ends upon the chairman's sixty-seventh birthday, at the latest. However, the chairman shall remain in office until the Board of Directors meeting called to appoint his successor.

15.2.2 Duties and responsibilities of the chairman (article 11 of the Articles of Association)

The chairman represents the Board of Directors. He organizes and directs the Board's work and reports thereon to the general meeting. He ensures that the Company's bodies are operating properly and, more particularly, that the directors are able to carry out their duties. The Board may revoke the chairman's appointment at any time.

15.2.3 Maximum age of the Chief Executive Officer (article 14.2 of the Articles of Association)

During his term of office, the Chief Executive Officer must be less than 67 years old. Once he has reached this age during his term of office, his term shall expire automatically and the Board of Directors shall appoint a new Chief Executive Officer. However, the Chief Executive Officer shall remain in office until the date of the Board of Directors' meeting called to appoint his successor. Subject to the aforesaid age limit, the Chief Executive Officer may be re-elected for an unlimited number of terms.

15.2.4 Revocation and impediment (article 14.3 of the Articles of Association)

The Chief Executive Officer's appointment may be revoked at any time by the Board of Directors, pursuant to the applicable laws and regulations.

In the event that the Chief Executive Officer becomes temporarily unable to fulfil his duties, the Board of Directors may delegate the functions of Chief Executive Officer to a director.

15.3 Conditions for the preparation and organization of the work of the Board of Directors

As part of its corporate governance approach, the Company put in place in 2006 a set of measures defined in accordance with the AFEP-MEDEF reports which have inspired in particular the drafting of the Board of Directors' internal regulations. In line with this approach, the Company has decided to refer to the corporate governance code for listed companies dated December 2008 available on the website www.code-afep-medef.com resulting from the consolidation of the AFEP and MEDEF report dated October 2003 and from their recommendations dated January 2007 and October 2008 on the compensation of directors ("AFEP MEDEF code"), and in its decisions has applied all the principles set out in the said code.

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 Board of Directors' internal regulations, the main clauses of which are summarized or reproduced below.

Note that the Board of Directors on 6 March 2006 voted not to separate the roles of Chairman of the Board and Chief Executive Officer, and appointed Thierry Le Hénaff as Chairman of the Board and Chief Executive Officer for the period of his term of office. Given its organization, the decision by the Board of Directors to opt for the plurality of offices for the Chairman and Chief Executive Officer is proving an effective way to ensure efficient coordination within the Group.

The Board of Directors consists of nine Directors, including eight independent directors in the sense of the criteria set by the internal regulations for the Board of Directors.

Duties and responsibilities of the Board of Directors

The Board of Directors determines the guidelines governing the Company's activity and oversees their application. Subject to those powers expressly conferred on the shareholders and within the limits of the Company's corporate purpose, the Board of Directors considers any issue involving the proper operation of the Company.

To this end, it must review strategic developments in the Group, monitor their implementation and management, take decisions regarding major transactions, monitor the quality of information supplied to shareholders and the markets, and ensure the quality of the Board of Directors' operations.

The Board of Directors meets at least four times each year and as often as the interests of the Company demand.

Prior to the meeting, directors shall receive the agenda for the meeting and, wherever circumstances allow, a file containing the agenda, minutes of the previous meeting of the Board of Directors, and documentation relating to each agenda item.

In accordance with the internal regulations of the Board of Directors and of its committees, some subjects are submitted for prior review by the appropriate committee before being presented to the Board of Directors for approval. Such subjects include (i) for the Audit and Accounts Committee the review of financial statements, the examination of internal control procedures, the activities of internal and external audit, as well as financial transactions, and (ii) for the Nominating and Compensation Committee the composition of the Board of Directors, the remuneration policy, and the employee share ownership schemes. The Committees exercise their proceedings under the responsibility of the Board of Directors.

Furthermore, note that in accordance with the internal regulations of the Board of Directors, directors, where possible, attend every Board meeting and meeting of the committees of which they are a member, as well as the general meetings.

15.3.1 Activity of the Board of Directors

The Board of Directors met seven times in 2009. The average attendance rate for all directors at these meetings was 84.7%.

The agenda for these meetings included:

- approval of the 2008 accounts, consideration of quarterly and half-yearly results, and review of the associated press releases;
- notice of annual general meeting;
- annual reports on the work of the Audit and Accounts Committee and the Nominating and Compensation Committee;
- annual assessment of the Board of Directors;
- assessment of the independence of the directors;
- review of the reports of the specialized committees;
- setting of the fixed and variable parts of the compensation for the Chairman and Chief Executive Officer for 2009 and the performance conditions for compensation in the event of removal from office;
- examination of the governance principles set out in the AFEP-MEDEF code dated December 2008;
- setting of the powers of the Chief Executive Officer in the granting of deposits, advance payments and guarantees;
- consideration of stock option and free share allocation programs;
- review of compensation for the Executive Committee ("Comex");
- Group insurance and safety policies;
- examination of various strategic projects, including in particular the acquisition of certain acrylic assets from The Dow Chemical Company closed on 25 January 2010.

Between the beginning of 2010 and the meeting called to close the accounts for the 2009 financial year, held on 3 March 2010, the Board of Directors met twice, with an average attendance rate of 77.8%.

These meetings discussed a review of the accounts for the year to 31 December 2009, the notice of the annual general meeting, the review of the 2010 budget, the assessment of the independence of directors, the annual reports from the specialized committees, a review of the terms of office for the Chairman and Chief Executive Officer, the allocation of attendance fees for 2009 and the proposed share capital increase reserved to employees.

In accordance with its internal regulations, the Board of Directors carried out its annual assessment for 2009, which was the subject of the Board of Directors' discussions at its meetings on 20 January 2010 and 3 March 2010.

In addition, note that the staggering of the terms of office of directors identified at the previous evaluation of the Board of Directors as an area for improvement was implemented when these were renewed at the annual general meeting on 15 June 2009. Accordingly, at this annual general meeting, the terms of office of Messrs François Enaud, Laurent Mignon and Tidjane Thiam were renewed for two years; the terms of office of Messrs Thierry le Hénaff and Jean-Pierre Seeuws were renewed for three years; the terms of office of Messrs Bernard Kasriel, Thierry Morin and Philippe Vassor were renewed for four years. Additionally, Mr Marc Pandraud was appointed to the Board for a four-year term of office.

15.3.2 Internal regulations of the Board of Directors

In order to comply with best corporate governance practices, the Company's Board of Directors has adopted a charter setting out the rights and obligations of the directors.

Independent directors

In accordance with the recommendations of the AFEP/MEDEF report, the Board of Directors decided that it should comprise a majority of independent directors. Decisions regarding the independence of directors are made by the Nominating and Compensation Committee as described below.

An independent director is a director who has no relationship whatsoever with the Company, its Group or its management, *i.e.*, in particular, a director who:

- is not an employee or executive of the Company, an employee or director of its parent company, if any, or of a company consolidated within the Company and who has not served in such a capacity during the previous five years;
- is not a corporate officer of a company in which the Company directly or indirectly holds a seat as director, or in which an employee appointed as such or a corporate officer of the Company (who currently holds such a position or has held such a position during the previous five years) holds a seat as director;
- is not a significant customer, supplier, corporate banker, or investment banker of the Company or its Group, or for whom the Company or the Group accounts for a material part of its business;
- has no close family ties with a corporate officer of the Company;
- has not, during the previous five years, served as statutory auditor of the Company, or of a company that holds at least 10% of the Company's share capital or of the share capital of a company in which the Company held an interest of at least 10% as of the end of their term of service;
- has not been a director of the Company for more than twelve years;
- is not or does not represent a significant shareholder in the Company, *i.e.* a shareholder holding more than 10% of the Company's share capital or voting rights.

Following this analysis the Board of Directors on 20 January 2010 accepted the Nominating and Compensation Committee's recommendation that all directors be considered as independent, except for Mr Thierry Le Hénaff, Chairman and Chief Executive

Officer. As Mr Jean-Pierre Seeuws' positions in the Group had ceased more than five years ago at this date, the Board of Directors confirmed his status as an independent director.

The offices held by the directors in other companies are listed in the Board of Directors' management report in accordance with article L.25-102-1 of the *Code de commerce*.

Duty of loyalty

A director may not use his title or functions as director to secure any advantage, whether monetary or otherwise, for himself or any third party. The director undertakes to notify the Board of any agreement between the said director and the Company, entered into directly or via an intermediary, or in which he has an indirect interest, prior to entering into such agreement. The director undertakes 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 and Compensation Committee.

Independence of directors and conflicts of interest

All directors undertake to maintain their independence of analysis, judgment, decision-making and action under all circumstances. Directors undertake not to seek or accept from the Company or any companies directly or indirectly affiliated therewith, any advantages that are liable to be construed as jeopardizing their independence.

Directors shall notify the Board of any conflict of interest, whether direct or indirect, actual or potential, with the Company. In such cases, the relevant director shall abstain from voting on any resolution submitted to the Board and from participating in any discussions preceding such voting. The Chairman may ask such a director not to attend the meeting. An exception shall be made to this provision if all directors were to abstain from voting in application thereof.

Self-assessment of the Board of Directors

Every year, the Board of Directors shall hold a debate on its functioning.

Communication of information to directors

Prior to each Board of Directors meeting, a file shall be sent to each director in sufficient time before the meeting, providing information on items on the agenda to be discussed that require special analysis and prior consideration, whenever this can be accomplished without any breach of confidentiality.

However, in the event of an emergency meeting in special circumstances, such information may be sent to the directors within a shorter period of time, or provided at the beginning of the meeting.

Directors may require from the Chairman or Chief Executive Officer any additional information they may consider necessary to properly fulfill their duties, particularly in the light of the meeting's agenda.

Training

Directors may, if they deem it necessary, request, at the time of their appointment or during their term of office, additional training on the Group's specific features, businesses, and areas of activity. This training is organized by the Company and paid for by the Company.

Confidentiality

All documents provided for Board meetings and all information collected during or outside Board meetings (the Information) are confidential, without exception, whether or not the Information collected is presented as being confidential. Directors undertake not to express their individual views on matters brought before the Board of Directors outside the boardroom.

15.3.3 Board of Directors' committees

In accordance with its internal rules, the Board of Directors has set up two specialized committees, an Audit and Accounts Committee and a Nominating and Compensation Committee. The composition, purpose, organization and activity in 2009 of these two committees are reported below.

The Board of Directors has established internal regulations for each of these specialized committees, the main provisions of which are summarized below.

15.3.3.1 The Audit and Accounts Committee

The Audit and Accounts Committee consists of Philippe Vassor (Chairman), Jean-Pierre Seeuws and Laurent Mignon. Thierry Lemonnier, Chief Financial Officer of the Group, is the committee's secretary.

As the Board of Directors meeting on 20 January 2010 confirmed the status of Mr Jean-Pierre Seeuws as an independent director in regards to criteria set by the internal regulation of the Board of Directors, all members of the Audit and Accounts Committee are independant at the date of this reference document.

At the close of the combined annual general meeting on 15 June 2009 which renewed their terms of office as directors, the Board of Directors decided to reappoint the members of the Audit and Accounts Committee in their functions.

Furthermore, the Board of Directors meeting on 20 January 2010 adapted the duties of the Audit and Accounts Committee as detailed below to the provisions of the order dated 8 December 2008 incorporating directive 2006/43/CE dated 17 May 2006 on the statutory auditing of annual and consolidated accounts.

COMPOSITION (ARTICLE 2 OF THE INTERNAL REGULATIONS)

The Committee comprises at least three directors appointed by the Board of Directors. In selecting the Committee members, the Board of Directors shall grant special attention to their qualifications in the area of finance and accounting. A majority of the Committee members shall be independent directors. The Chairman of the Audit and Accounts Committee shall be an independent director.

Notwithstanding a reasoned decision to the contrary by the Board of Directors, no Committee member shall hold more than two other offices as a member of the audit and accounts committee of a listed company in France or abroad.

The Board of Directors shall ensure that it does not appoint to the Audit and Accounts Committee a director from a company on whose audit committee one of the Company's directors also holds a seat.

Committee members may receive from the Company only those attendance fees due in consideration for serving as director and Committee member.

The term of office of Committee members shall coincide with their term of office as director. The term of office of a Committee member may be renewed at the same time as his term of office as director. However, the Board of Directors may modify the composition of the Committee at any time.

DUTIES (ARTICLE 1 OF THE INTERNAL REGULATIONS)

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 Committee exercises the prerogatives of expert committees provided for under article L. 823-19 of the Commercial Code, and in particular performs the following roles:

- it submits recommendations on the appointment of the statutory auditors and their remunerations, in compliance with independence requirements;
- it ensures compliance with all applicable laws and regulations when statutory auditors are commissioned to perform work other than auditing the accounts;
- it reviews the options and assumptions used in preparing financial statements, reviews annual consolidated accounts, half-yearly and quarterly financial information and the full year financial statements and forecasts of Arkema S.A. prior to their consideration by the Board of Directors, and assesses the accounting content of press releases prior to their issue;
- it oversees the statutory auditing of the annual and consolidated accounts by the statutory auditors and the financial information preparation procedure;
- it assesses the suitability and consistency from year to year of accounting principles and policies;
- it assesses internal control procedures;
- it reviews the work programs of external and internal auditors;
- it reviews audit work;
- it assesses the organization of delegations of commitment authority;
- it monitors the effectiveness of internal control and risk control systems;
- it reviews the conditions for using derivatives;
- it considers major transactions planned by the Group;
- it remains regularly updated on developments in significant claims and disputes;
- it reviews the main off balance sheet undertakings, particularly the most significant new undertakings;
- it prepares and submits reports as provided by the internal regulations of the Board of Directors, and presents to the Board in draft form that portion of the annual report and, more generally, any documents required by the applicable regulations, falling within its remit.

ORGANIZATION OF WORK (ARTICLE 3 OF THE INTERNAL REGULATIONS)

The Committee meets several times a year, in particular to review the periodic consolidated accounts. Meetings may be called by the Committee chairman, by two Committee members or by the Chairman of the Board of Directors. The schedule of meetings is set by the Committee chairman.

The Committee submits written reports to the Board of Directors on its work and an annual assessment of its operation, based on the requirements set out in the internal regulations as well as any suggestion for improvement in its functioning.

Recommendations submitted by the Committee to the Board of Directors are adopted by a majority of members present at the Committee meeting. The Committee chairman casts the deciding vote if an even number of members is present at the meeting, unless only two members are present.

ACTIVITY OF THE AUDIT AND ACCOUNTS COMMITTEE

The Audit and Accounts Committee met five times in 2009 and reported on its work to the Board of Directors.

The average attendance rate for Committee members at these meetings was 73.3%.

The statutory auditors were present at each of these meetings. The Audit and Accounts Committee received their conclusions after the meetings and in the absence of representatives of the Company.

The work of the Audit and Accounts Committee over the year focused mainly on the review of quarterly, half-yearly and annual accounts, internal control procedures, the schedule of Internal and External Auditing, as well as developments in the main claims and disputes involving the Group, and a review of the Group's risks and of the information systems.

Between the beginning of 2010 and 3 March 2010, the date at which the Board of Directors closed the accounts for 2009, the Audit and Accounts Committee met once. Two of the three members, including the chairman, attended the meeting.

15.3.3.2 The Nominating and Compensation Committee

The Nominating and Compensation Committee consists of Thierry Morin (Chairman), François Enaud and Bernard Kasriel, all independent directors. Michel Delaborde, Executive Vice-President Human Resources and Communication, is the committee's secretary.

At the close of the combined annual general meeting on 15 June 2009 which renewed their terms of office as directors, the Board of Directors decided to reappoint the members of the Nominating and Compensation Committee in their functions.

COMPOSITION (ARTICLE 2 OF THE INTERNAL REGULATIONS)

The Nominating and Compensation Committee comprises at least three directors appointed by the Board of Directors. A majority of the Committee members shall be independent directors.

The chairman of the Committee shall be an independent director.

Committee members may receive from the Company only those attendance fees due in consideration for serving as director and Committee member.

The term of office of Committee members shall coincide with their term of office as director. The term of office of a Committee member may be renewed at the same time as his term of office as director. However, the Board of Directors may modify the composition of the Committee at any time.

DUTIES (ARTICLE 1 OF THE INTERNAL REGULATIONS)

The Committee's main roles are the following:

- Nomination:
  - it submits to the Board of Directors recommendations on the composition of the Board of Directors and its Committees,
  - every year, it submits to the Board of Directors a list of directors who can be considered as independent directors of the Company, in accordance with the provisions of article 2.1 of the internal regulations of the Company's Board of Directors,
  - it assists the Board of Directors in appointing and evaluating the corporate officers, the directors, and the directors serving as Committee members,
  - it prepares and submits an annual report on the Committee's operation and work;
- Compensation:
  - it reviews the main goals proposed by the senior management relating to compensation of the Company's executives, whether or not they are corporate officers,
  - it submits to the Board of Directors policy recommendations and proposals in the areas of compensation, pension schemes and contingency funds, benefits in kind, and allocation of options to subscribe or purchase shares (stock options) or receive free shares, especially "nominative" allocation to corporate officers,
  - it reviews the compensation of Executive Committee members, including stock options, free shares, pension schemes, contingency funds and benefits in kind,
  - it reviews the procedures for dividing attendance fees among Board members and the conditions for reimbursing any expenses incurred by the directors,
  - it prepares and submits reports as provided for by the internal regulations, and presents to the Board of Directors that part of the annual report in draft form, and, more generally, any documents required by the applicable regulations and falling within its remit, in particular information on the compensation of corporate officers, stock options and free shares.

ORGANIZATION OF WORK (ARTICLE 3 OF THE INTERNAL REGULATIONS)

The Committee meets several times a year, including once prior to approval of the agenda for the annual general meeting. Meetings may be called by the Committee chairman, by two Committee members or by the Chairman of the Board of Directors. The schedule of meetings is set by the Committee chairman. The Committee reports to the Board of Directors on its work. It submits an annual assessment of its functioning, based on the requirements set out in the internal regulations, and any suggestion for improvement in its functioning.

Recommendations submitted by the Committee to the Board of Directors are adopted by a majority of members present at the Committee meeting. The Committee chairman casts the deciding vote if an even number of members is present at the meeting, unless only two members are present.

ACTIVITY OF THE NOMINATING AND COMPENSATION COMMITTEE

The Nominating and Compensation Committee met four times in 2009 and reported on its work to the Board of Directors.

The attendance rate for committee members at these meetings was 100%.

The work of the Nominating and Compensation Committee mainly focused on the compensation of Company officers and the Executive Committee, a review of AFEP MEDEF recommendations on the compensation of Company officers, the implementation of a performance share allocation plan, a review of the succession plan for executive committee members, and the examination of profiles for the post of director.

Between the beginning of 2010 and 3 March 2010, the date at which the Board of Directors closed the accounts for 2009, the Nominating and Compensation Committee met twice, with all members in attendance on both occasions. These meetings concentrated on the annual review of the committee's work, the independence of directors, a review of the terms of office of the Chairman and Chief Executive Officer, the allocation of attendance fees for 2009, the assessment of the Board of Directors in 2009, and the examination of the proposed share capital increase reserved for employees.

15.4 Principles and rules for determining compensation and all other benefits paid to officers of the Company

The principles and rules for determining compensation and all other benefits paid to officers of the Company are decided by the Board of Directors on the basis of recommendations from the Nominating and Compensation Committee, in accordance with the provisions of internal regulations. These are described in the Board of Directors' management report in accordance with article L.225-102-1 of *the Code de commerce*.

15.5 Limitations on the powers of Chief Executive Officer

The Chief Executive Officer is invested with the most extensive powers to act in the Company's name in all circumstances, 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 Chief Executive Officer, but such limits are not enforceable against third parties.

The Board of Directors has authorized the Chief Executive Officer, with powers of sub-delegation, to issue in the name of the Company, deposits, commitments and guarantees up to a limit of €80 million, and to continue the deposits, commitments and guarantees previously made. This authorization was granted by the Board of Directors on 20 January 2009 for a period of twelve months, and was renewed under the same terms at the Board of Directors meeting on 20 January 2010.

In addition to any legal requirements noted above, the Chief Executive Officer shall inform the Board of Directors of, or submit to its approval, any transactions involving a greater sum. Therefore the Board of Directors shall be consulted in advance:

- for any industrial investment in excess of €80 million, with the annual investment budget also to be submitted to the Board of Directors for approval;
- for any acquisition or divestment project with an enterprise value in excess of €130 million;
- if annual liquidations of investment exceed the annual budget by over 10%.

Equally, the Board of Directors shall be informed after the event:

- of any industrial investment in excess of €30 million;
- of any acquisition or divestment project with an enterprise value in excess of €50 million.

15.6 Vice-Executive Officer

On the Chief Executive Officer's recommendation, the Board of Directors may appoint from one to five natural persons, who shall have the title of Vice-Executive Officer (*Directeur général délégué*), to assist the Chief Executive Officer, and shall determine their term of office and the extent of their powers, it being understood that the Vice-Executive Officers shall hold the same powers as the Chief Executive Officer in representing the Company in its relationship with third parties. Vice-Executive Officers shall be less than 67 years old to serve in this office.

The Board of Directors may revoke the appointment of a Vice-Executive Officer at any time, on the recommendation of the Chief Executive Officer, in accordance with the applicable laws and regulations.

15.6.1 Identity of vice-executive officers

None.

15.6.2 Biography of vice-executive officers

None.

15.7 Internal control procedures

15.7.1 General organization of internal control

15.7.1.1 Aims and objectives

The aims and objectives of the Group's internal control procedures were drawn up on the basis of the reference framework of the *Autorité des marchés financiers* (AMF – French financial markets authority).

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

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

15.7.1.2 Scope

The internal control framework is adapted to the Group's organization, which is structured around three components:

- 3 business segments (Vinyl Products business segment, Industrial Chemicals business segment, Performance Products business segment) made up of Business Units (BUs) which comprise a group of business lines or products that are coherent or complementary from a strategic, business or manufacturing perspective;
- the functional departments (or support functions), which assist the BUs in their area of competence, including accounting, legal affairs and information systems, and ensure that the Group's organization is consistent and optimized;
- the subsidiaries, through which the BUs exercise their business activities.

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

15.7.1.3 Persons involved in internal control procedures

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors, the two committees in place, and the expertise of their members help contribute to the creation of an internal control culture suited to the needs of the Group.

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

EXECUTIVE COMMITTEE

The Chairman and Chief Executive Officer has created an Executive Committee ("Comex") consisting of the seven operational and functional executives who report directly to him.

Thus Comex consists of:

- the Chairman and Chief Executive Officer of the Company, who also chairs Comex;
- the operational Executive Vice-Presidents overseeing the three business segments;
- the four Executive Vice-Presidents in charge of the support functions: Human Resources and Communication, Industry, Finance, and Strategy.

Comex is a decision-making body that concentrates on strategic matters and performance monitoring, and considers major issues regarding organization and large projects.

With regard to the internal control framework, Executive Comittee:

- defines the internal control framework and the rules for delegation of responsibility;
- sets targets for each BU, functional department and subsidiary, and provides the resources for these targets to be met;
- supervises the implementation of the control procedures that help achieve the targets it has set;
- considers the risks that are specific to each project submitted to Comex;
- carries out an annual (and whenever deemed necessary) review of the major risks to which the Group is exposed on the basis of the work of the Risk Review Committee. Comex calls on the Internal Audit department and the Internal Control department to help with its operation.

Comex meets twice a month in principle.

Each member of Comex is responsible for ensuring that Group wide rules and principles constituting the internal control structure and procedures are observed in the entities for which he is responsible and for which he acts as the "tutor".

RISK REVIEW COMMITTEE

In order to strengthen the formal framework of the risk identification and analysis procedures, and to monitor on a regular basis the evolution of risk factors, a Risk Review Committee was set up in October 2007.

Chaired by the Executive Vice-President Strategy, the Committee reviews at least once every six months (or more often if justified by a specific event):

1. the summaries of audits and evaluations conducted by the Internal Audit department, the Safety Environment Quality

department, the Insurance department, and the Internal Control department;

2. a list of risks prepared from a survey conducted by the Internal Audit department.

Following this review, the committee can also decide on the implementation of corrective action, or request additional information.

The conclusions of this review are communicated to Executive Comittee.

On completion of this process, Executive Committee can decide on updating the main risks described in chapter 6 of this reference document.

INTERNAL AUDIT DEPARTMENT

Internal Audit is an independent function under the responsibility of the Executive Vice-President Strategy. Its role in particular is to improve control over the Group's management systems and processes and, more broadly, to ensure that the Group's operations are in accordance with the internal control framework.

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

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

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

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

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

During 2009, the Internal Audit department carried out 25 audits (as in 2008).

INTERNAL CONTROL DEPARTMENT

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

This department conducts analysis and formalization of processes having an impact on financial information, for which key controls have been defined.

The methodology consists of:

- the analysis, for a process or sub-process, of the main risks of error, omission or fraud that could have a significant effect on consolidated financial statements;
- the identification and formalization of control procedures to minimize 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;
- the definition of corrective measures in the event of shortcomings, and the control of their implementation.

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

The ongoing rollout of this process, launched in 2006, has enabled to cover a scope of companies representing virtually all production subsidiaries in 2009.

SEGMENTS, BUS, FUNCTIONAL DEPARTMENTS AND SUBSIDIARIES

The Group's businesses are organized into three business segments totalling thirteen BUs at 31 December 2009, with each business segment under the responsibility of an Executive Vice-President who reports to the Chairman and Chief Executive Officer and is a member of Executive Comittee.

Within their respective area of activity, the BUs employ the resources allocated to them by the Executive Committee and the segments' Executive Vice-Presidents 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 (see sections 15.7.1.4 and 15.7.1.5 of this reference document).

The consistency and optimization of the Group's organization are ensured by the functional departments, most of which are described in section 15.7.1.6 of this reference document.

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

15.7.1.4 Core documents

The Group has drawn up a Code of Conduct and two charters, the first covering primarily its policy regarding health, safety, environment and quality, and the second IT and electronic communication resources. These have been approved by Comex, and set out the values and aims of internal control.

CODE OF CONDUCT

In this document the Group confirms its adherence to the Universal Declaration on Human Rights and the European Convention on Human Rights, to the Fundamental Conventions of the International Labor Organization, and to the OECD's Guiding Principles for multinational enterprises.

Closely linked to the Group's values, the Code of Conduct details the Group's requirements wherever it does business, with respect to its shareholders, its customers, its employees and its other stakeholders. It also makes available to employees the rules and principles governing individual behavior within the Group.

An ethics mediator, appointed by the Chairman of the Company's Board of Directors, and reporting directly to the Chairman, is in charge of promoting the Code of Conduct with the Group's employees and of handling all ethical issues, both individual issues (on referral) and matters of general interest concerning the Company. He is available to all of the Group's employees on any ethical issue.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY CHARTER

In this document the Group confirms that it places the highest importance on the safety and security of its businesses, the health of individuals, and the satisfaction of its customers.

The Charter describes the main undertakings that translate these priorities into action. Thus:

- the Group is committed to Responsible Care®, the voluntary approach by the world chemical industry to the responsible management of businesses and products, based on a process of continuous progress. In November 2006 the Group signed a declaration endorsing the Responsible Care® Global Charter. The industrial safety and environmental risk prevention policy is described in chapter 8.2 of this reference document;
- two programs are deployed worldwide: Safety in Action, to promote and strengthen a safety culture amongst all staff, and Common Ground®, to develop relationships of trust with the communities in which the Group is present.

CHARTER FOR THE USE OF IT AND ELECTRONIC COMMUNICATION RESOURCES

This Charter sets out the principles governing the proper use of IT resources within the Group. These principles seek to ensure (i) the correct application of guidelines, (ii) compliance by the Group with current laws and regulations, and rules regarding delegation of powers and confidentiality, and (iii) the protection of the integrity of IT systems and resources.

15.7.1.5 Internal Control framework

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

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

The Group has defined its organization 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 Group's Charters and Code of Conduct, is structured in line with the *Autorité des marchés financiers* reference framework, around five components:

A. The control environment;

B. Risk management;

C. Control activities;

D. Information and communication;

E. Continuous evaluation of internal control systems.

A. THE CONTROL ENVIRONMENT

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

All employees are informed of the importance attached to observing the rules of good conduct set out in the "Code of Conduct", the "Health, Safety, Environment and Quality Charter", and the "Charter for the use of IT and electronic communication resources".

These documents include a Compliance Program (the rules of which have been made known to all Group employees concerned, and agreed by them) introduced to guarantee and, if necessary, substantiate, that the Group strictly complies with domestic and European competition regulations.

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

- the personal accountability of every employee, at all levels, regarding compliance with the competition regulations set out in the document;
- the appointment of a Compliance Officer whose role is to ensure the correct application of the program;
- the production and updating of a Practical Guide to rules and correct conduct on competition matters;
- specific training;
- the application of appropriate measures in the event of a breach of the rules.

In the United States, the Compliance Program has been adapted to take account of specific local features.

A procedure relating to fraud prevention was put in place in 2008. This procedure helps survey and centralize 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.

B. RISK 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 decentralized, risk assessment and management is essentially the responsibility of the BUs. All functional departments, each having a duty to minimize risks in their own area, provide assistance in identifying and reducing the risks inherent in their respective area.

A thorough review of the risks that the Group could face is (i) carried out annually by the Internal Audit department, which gathers information from the BUs and functional departments, and (ii) presented to the Risk Review Committee. The conclusions of this review are communicated to the Executive Committee prior to the definition of the audit plan. The significant risks known to the Group are examined by the Audit Committee and the Board of Directors, and set out in chapter 6 of this reference document.

C. CONTROL ACTIVITIES

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

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 strategy defined by the Executive Comittee. 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,
  - reliability of financial information.
- the control of access to IT systems forms a key element of internal control, and is subject to formal management procedures involving the departments using the systems and the IT department.

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

D. INFORMATION AND COMMUNICATION

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

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 may be summed up in two words, "guidance and control", and is designed to apply across the Group the 10 information system management practices drawn up formally by CIGREF (*Club informatique des grandes entreprises françaises).*

Additionally:

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

E. CONTINUOUS ASSESSMENT OF INTERNAL CONTROL SYSTEMS

The quality of 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 Comex.

In addition, recommendations made by the Internal Audit department 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.

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

15.7.1.6 Group policies

HUMAN RESOURCES

The Group is committed to involving all its employees in its growth, to helping all employees in their day-to-day duties, and to empowering them to take individual initiative. The Group's efforts are focused on training, internal communication, and leadership by the management to pool individual talents and ensure that they best serve the common good. The Human Resources policy also aims to increase the international dimension of its workforce, and the sharing of expertise and experience worldwide.

The Group's Human Resources department is organized around three departments, Human Resources Development and Internal Communication department, Payroll Systems, Organization and Headquarters department, and Labor Relations department. The Human Resources Development and Internal Communication department plays a central role, supported by career managers, in managing executives from BUs and support functions, and in coordinating career management across all Group subsidiaries.

These Human Resources departments are responsible throughout the Group for recruitment, management of compensation systems and social protection, and labor relations.

SAFETY AND ENVIRONMENTAL PROTECTION

The Group's sustainable development policy is based on its belief that its long-term profitability will depend on the manner in which it assumes its social, health, safety and environment responsibilities.

The Group has formalized its fundamental requirements in a reference manual that is used worldwide, the HSE Manual, which is the foundation of the HSE management systems for all of the Group's entities. This framework document is available on the Group's intranet. In addition, the safety strategy as a whole is deployed worldwide under the "Safety in Action" label.

The safety management system at sites presenting significant risks is based on control systems designed according to ISRS guidelines. The Group has developed environmental management systems for its industrial sites, most of which have received ISO 14001 certification (or equivalent, such as the Responsible Care Management System® in the United States).

Over and above the audits conducted by the Internal Audit department, Group sites are subject to two other types of audit: certifications by external bodies, and audits by experts from the Group's Safety, Environment and Quality department.

The industrial safety and environmental risk prevention policy is described in chapter 8.2 of this reference document.

SHORT-TERM AND LONG-TERM FINANCING

The Group's Treasury and Financing Department is responsible for defining the Group's cash management and optimizing its financing. It is organized around two departments, the Financial Operations and Subsidiaries department (main point of contact for subsidiaries within this department), and the Treasury department (specialist point of contact for financing, hedging of financial risk, and cash management issues).

Treasury, interest rate instrument and currency instrument risks are managed under rules defined by the Group's senior management. The management of liquidity, hedging positions and financial instruments is centralized by the Treasury and Financing department whenever possible.

Each subsidiary is responsible, within its own business, for the management of its own cash flows and the preparation of cash flow forecasts. Subsidiaries are responsible for following the cash management rules issued by the Treasury and Financing department, both for risk management (interest rates, foreign exchange, counterpart risks, intra-Group settlements, etc.) and for cash management.

LEGAL DEPARTMENT

The Group is subject to a complex and constantly changing set of laws and regulations in a large number of fields (company law, commercial law, safety, environmental protection, labor law, tax law, customs, patent protection, etc.), which vary depending on the country in which the Group operates.

Compliance with laws and regulations and in particular the prevention of criminal liability and risks relating to antitrust legislation (Compliance Program), with some specific exceptions (labor law, tax law, patent law), fall within the overall responsibility of the legal department. The legal department is closely involved in the monitoring of risks, claims and disputes (quarterly and annual reviews) and the review of major contracts.

INSURANCE

The Group has a policy of centralized management for its insurance, covering the risks relating to the manufacture and marketing of its products.

The implementation of this policy is the responsibility of the Insurance Department, which reports to the Executive Vice-President Strategy.

Group insurance policies are taken out with leading insurance companies. They entail inspections of industrial sites with insurers, coordinated with the Industrial department.

PURCHASING

The Group implements a purchasing policy based on the following principles:

- the selection of a supplier must be based on the satisfaction of a need, quality, performance, sustainability, and best price;
- relations with suppliers must be based on trust, and developed transparently and in accordance with contractual terms;
- the Group's suppliers must observe principles equivalent to those set out in the Group's Code of Conduct.

15.7.2 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 represents one of the key factors in the Group's financial control systems.

15.7.2.1 Organization of the finance function

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

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

15.7.2.2 Accounting, reporting and management control

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

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

- forward-looking items:
  - medium-term plan,
  - budget,
  - end-of-year forecast;
- actual performance:
  - monthly reporting,
  - quarterly consolidation of accounts.

MEDIUM-TERM PLAN

The Strategy department draws up a medium-term plan (over 5 years) once a year. This plan serves as a basis for the strategic considerations of the Executive Committee. It enables the Executive Committee to assess the financial consequences of the major strategic directions and the main turning points identified in the environment under consideration.

BUDGET

The budget is prepared annually under the responsibility of the Accounts and Management Control Department. Each BU and each functional department submits its budget proposals to the Executive Committee. The process is completed by the review of the budget by the Board of Directors. 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 BUs, the functional departments, and the Group overall.

END-OF-YEAR FORECAST

Once approved by the Executive Committee and reviewed by the Board of Directors, the budget may no longer be modified. 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, as required by the Accounts and Management Control department.

MONTHLY REPORTING

On a consolidated basis:

- the income statement;
- capital expenditure;
- cash flow; and
- working capital;

are analyzed on a monthly basis.

Additionally:

- provisions are analyzed on a quarterly basis;
- capital employed is analyzed at the annual closure of accounts.

Every month, the business "tutors" (overseeing the segments) together with the Accounts and Management Control department (DCCG) report on the performance of the segments to the Executive Committee. Prior to this meeting, each BU reports on its monthly performance to its business "tutor".

CONSOLIDATED FINANCIAL STATEMENTS

ARKEMA 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 information to 31 March and 30 September is in summary form only (balance sheet, income statement, cash flow statement).

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

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

Moreover, on a quarterly basis the Accounts and Management Control 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 centralization thereof. The Financing and Treasury department consolidates all these commitments every six months as part of the half-yearly and annual accounts procedure.

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

FINANCIAL STATEMENTS OF THE PARENT COMPANY

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

15.7.2.3 IT systems

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

ARKEMA continues its transformation program on the basis of the SAP integrated software. In particular, rollout of the financial system has continued in Europe, while the new GMAO plant maintenance system has been implemented in France. These developments are helping to improve the internal control environment at ARKEMA, particularly through procedure review, increase in automated checks, and removal of interfaces.

15.7.2.4 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.

15.7.2.5 Investor relations

Press releases concerning quarterly consolidated 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 Board of Directors then approves the final text.

15.8 Compliance with corporate governance system

As indicated in section 15.3 of this reference document, Arkema S.A. believes that the system of corporate governance introduced by the Company allows it to meet the standards of corporate governance generally applied in France.

16 Compensation and benefits

16.1 Compensation (including conditional or deferred compensation) and benefits in kind awarded by the Company and its subsidiaries

Directors' compensation

GENERAL POLICY

In accordance with the provisions of the internal regulations of the Board of Directors, the Nominating and Compensation Committee issues recommendations or propositions concerning the compensation of the Company's directors.

COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The compensation of Thierry Le Hénaff in his role as Chairman and Chief Executive Officer of Arkema S.A. is set by the Board of Directors on a recommendation from the Nominating and Compensation Committee.

It consists of:

- a fixed annual compensation;
- a variable compensation of up to 150 % of the annual fixed compensation based in 2009 on achieving a number of specific quantitative and qualitative targets. The quantitative targets relate to the financial performance of the Company (EBITDA growth and free cash flow), and represent a significantly larger part than the qualitative targets which essentially relate to the implementation of the Group's strategy.

Additionally, in his role as Chairman and Chief Executive Officer, Thierry Le Hénaff receives the following benefits:

- a company car;
- a director unemployment insurance;
- a contractual indemnity in the event of early termination of contract.

  In application of article L.225-42-1 of the *Code de commerce*, the annual general meeting of 15 June 2009 approved the agreement authorized by the Board of Directors on 4 March 2009 on the indemnity due to Thierry Le Hénaff in the event of early termination of contract (termination or non-renewal of his term of office) or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and, except in the event of serious or gross misconduct, the amount of which shall be calculated on the basis of the fulfilment of five performance conditions as detailed below.

  The amount of this indemnity shall not exceed twice his total annual gross compensation (fixed and variable). The basis for calculating the termination indemnity shall be the fixed annual compensation for the year in which the early termination of contract has occurred and the average of the last two annual variable compensation payments made prior to the date of early termination of contract.

  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.

  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.

  First criterion – TRIR

  TRIR (Total Recordable Injury Frequency Rate) shall have dropped by at least 5% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

  Second criterion – Comparative EBITDA margin

  This economic performance indicator shall be compared to that of chemical manufacturers in competition with and comparable to ARKEMA.

  The growth in ARKEMA's EBITDA margin shall be at least equal to the average growth in the EBITDA margin of the companies in the reference panel between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

  Third criterion – Working capital (WC)

  The year-end WC over annual sales ratio shall have decreased by at least 2.5% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

  Fourth criterion – EBITDA margin

  The EBITDA over sales margin shall have grown by at least 3% (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

  Fifth criterion - Fixed costs

  Productivity actions shall at least offset inflation. ARKEMA's recurring fixed costs, at constant scope of business and exchange rate, shall have dropped by at least 0.5% at current value (average compound rate) per year between 31 December 2005 and the date at which this performance condition has been fulfilled as defined above.

  If 4 or 5 criteria have been fulfilled, Thierry Le Hénaff shall receive 100% of the sums provided for in the event of early termination of contract.

  If 3 out of 5 criteria have been fulfilled, Thierry Le Hénaff shall receive 75% of the sums provided for in the event of early termination of contract.

  If 2 out of 5 criteria have been fufilled, Thierry Le Hénaff shall receive 50% of the sums provided for in the event of early termination of contract.

  If fewer than 2 criteria have been fulfilled, Thierry Le Hénaff shall receive 0% of the sums provided for in the event of early termination of contract.

- and a supplementary pension scheme.

There are no special pension arrangements for the Chairman and Chief Executive Officer. In addition to the general pension schemes applicable to employees of the Group, he benefits from a supplementary scheme, financed by the Company and offered to certain senior executives of the Group receiving annual compensation of more than eight times the annual social security ceiling provided that the beneficiary is employed by the Company when he comes to retire. The Company's pension liabilities relating to its Chairman and Chief Executive Officer corresponded, at 31 December 2009, to an annual retirement pension calculated in particular on the basis of the average compensation of the last three years, equal to 20.7% of his current annual compensation.

Thierry Le Hénaff is not bound to any Group company by an employment contract, he receives no attendance fees in his role as Director and Chairman of the Board of the Company, and as a Director and Executive Officer does not benefit from any employee savings scheme in place in the Group or from compensation relating to a non-competition clause.

Furthermore, it should be noted that following a decision by the Board of Directors on 3 March 2010, the gross annual fixed compensation paid to Thierry Le Hénaff as Chairman and Chief Executive Officer for 2010 shall remain set at €610,000 and that his variable compensation in respect of 2010 shall remain determined on the basis of performance criteria related to the achievement of quantitative targets (EBITDA growth and free cash flow) and qualitative targets essentially related to the implementation of the Group's strategy and to its development, and shall in any case be capped at 150 % of his annual fixed compensation.

COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO THE CHAIRMAN & CEO

	2009 (Gross amounts in euros)		2008 (Gross amounts in euros)	
	Due for the year	**Paid during the year**	**Due for the year**	**Paid during the year**
Fixed compensation	610,000	610,000	610,000	610,000
Variable compensation *	660,813	231,800	231,800	570,000
Exceptional compensation	Nil	Nil	Nil	Nil
Attendance fees	Nil	Nil	Nil	Nil
TOTAL	**1,270,813**	**841,800**	**841,800**	**1,180,000**
Benefits in kind – Car		6,720		7,233
Director unemployment insurance		17,038		16,526
Valuation as per method used for consolidated accounts for stock options allocation (detailed in note 26.1. to the consolidated financial statements at 31 December 2009)	No allocation of any stock option			471,975 (52,500 stock options Stock option exercise price: €36.21)
Valuation as per method used for consolidated accounts for free share allocation (detailed in note 26.1. to the consolidated financial statements at 31 December 2009)		**Nil ****		0 (14,000 free share allotment rights that became void)
Arkema share price at 31 December 2009 : €26.00				

** Variable compensation is paid in the year following the period for which it has been calculated.*
*** Thierry Le Hénaff declined the 14,000 performance shares granted to him by the Board of Directors on 12 May 2009.*

As shown above, the Board of Directors granted stock options and free shares to Thierry Le Hénaff, as part of the stock option plans and free share allocation plans (for further information on the stock option plans and free share allocation plans, please refer to section 17.5.4 of this reference document and to note 26 of the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document). It should be noted that the Board of Directors on 3 March 2010 established that, as the performance condition set out in the 2008 free share allocation plan had not been fulfilled, no free share with regard to this plan would be granted definitively.

Furthermore, in the event of early termination of contract (termination or non-renewal of his term of office), or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff will keep his rights to stock options and free share allocation for plans agreed by the Board of Directors before he leaves.

Directors' compensation

The annual general meeting of 10 May 2006 set the maximum annual amount of attendance fees allocated to the Board of Directors at €300,000 for the year beginning 1 January 2006, and €360,000 for each subsequent year. It will be proposed to the combined general meeting scheduled to take place on 1st June 2010 to amend this annual package (further details on this resolution may be found in annexes 4 and 5 of this reference document).

The split of the annual amount allocated by the annual general meeting is based on:

- an annual fixed part of €15,000 per director; and;
- a variable part taking account of the director's attendance at Board meetings:
  - (i) of €3,000 per director present at a Board meeting, and
  - (ii) €2,000 per member present at a meeting of one of the specialized committees, except for the Chairman's variable part which is €3,500.

Total attendance fees allocated to the Directors amounted to €301,000 for 2009 (€251,000 for 2008), split as follows:

(In euros)	Amounts paid in 2010 for 2009	Amounts paid in 2009 for 2008
François Enaud		
Attendance fees	44,000	33,000
Other compensation	Nil	Nil
Bernard Kasriel		
Attendance fees	44,000	36,000
Other compensation	Nil	Nil
Laurent Mignon		
Attendance fees	35,000	36,000
Other compensation	Nil	Nil
Thierry Morin		
Attendance fees	47,000	31,500
Other compensation	Nil	Nil
Marc Pandraud		
Attendance fees	16,500 *	
Other compensation	Nil	-
Jean-Pierre Seeuws		
Attendance fees	46,000	40,000
Other compensation	Nil	Nil
Tidjane Thiam		
Attendance fees	15,000	27,000
Other compensation	Nil	Nil
Philippe Vassor		
Attendance fees	53,500	47,500
Other compensation	Nil	Nil

* *At Marc Pandraud's request, his attendance fees have been paid by the Company to a charity.*

Except for Thierry Le Hénaff, the only director for whom information is given above, members of the Board of Directors received no other compensation and no other benefits in the year. The directors were not awarded any stock options or free shares.

No compensation was paid to directors of the Company by Group companies other than Arkema S.A. in 2009.

Compensation of members of the executive committee

The Board of Directors of the Company, on the recommendation of the Nominating and Compensation Committee, approved the total gross fixed compensation to be allocated for 2009 to members of the Executive Committee other than the Chairman and Chief Executive Officer at €1,629,000, unchanged compared to 2008.

Furthermore, the total variable compensation paid in 2009 to the seven members of the Executive Committee as described above by Arkema S.A. or one of its consolidated subsidiaries was €522,560.

The Board also approved the criteria to be used in determining the variable element of their compensation for 2009, based on specific qualitative and quantitative targets relating mainly to growth in EBITDA and to free cash flow. In application of these criteria, the Board of Directors meeting on 3 March 2010 approved the variable part awarded for 2009 to Executive Committee members described above, amounting to €850,045. It also approved the criteria to be used in determining the variable element of their compensation for 2010, which will remain based on specific qualitative and quantitative (EBITDA growth and free cash flow) targets.

The Board also approved the total gross fixed compensation paid for 2010 to Executive Committee members described above, amounting to €1,680,784.

Members of the Executive Committee did not receive any attendance fees in relation to any directorships held within Group companies.

16.2 Total amounts covered by provisions or recorded elsewhere by the Company and its subsidiaries for purposes of paying pension, retirement or other benefits

Please refer to note 4 to the Company's financial statements included in section 20.6 and to section 16.1 of this reference document.

17 Employees

17.1 Human resources policy

17.1.1 Human resources policy

The Group is building up its development by relying on a human resources policy which favours permanent dialogue with the trade unions, a recognition of individual performance, and a career management policy which encourages the development of both individual and collective skills.

The organization of human resources has evolved towards greater professionalism, with the creation in 2008 of a shared services center in France.

This center covers two areas:

- personnel administration and payroll;
- the development of human resources (training, recruitment and career management).

The rollout of the shared services centre should allow greater responsiveness, as well as security thanks to a greater adaptability of people at regional level involving several sites at the same time. This structure also provides an opportunity to oversee actions in terms of recruitment, training and professional mobility.

Headcount

EVOLUTION BETWEEN 2007 AND 2009

At 31 December 2007, 2008 and 2009 the Group had respectively 15,194, 14,983 and 13,803 employees worldwide (including temporary staff [28]). These figures correspond to the management scope of the Group [29].

The table below provides an analysis of the headcount by region over the past three years:

Headcount by geographic region	31.12.2009	31.12.2008	31.12.2007
France	8,463	8,955	9,179
Europe (excl. France)	2,018	2,248	2,223
North America	2,032	2,301	2,377
Asia	1,141	1,328	1,272
Rest of the world	149	151	143
TOTAL ARKEMA	**13,803**	**14,983**	**15,194**
of which permanent	*13,409*	*14,413*	*14,690*

At 31 December 2007, 2008 and 2009, the number of temporary staff worldwide amounted to 504, 570 and 394 respectively.

At 31 December 2009, headcount in France accounted for 61.3% of the Group's overall headcount.

BREAKDOWN BY CATEGORY AND SEX

At 31 December 2009, 22.9% of the Group's total employees were in managerial positions. In the same year, women made up 20.6% of the Group's total employees.

Geographic region	Managerial	Non Managerial	Male	Female
France	1,473	6,990	6,739	1,724
Europe (excl. France)	446	1,572	1,635	383
North America	912	1,120	1,613	419
Asia	274	867	850	291
Rest of the world	56	93	122	27
TOTAL ARKEMA	**3,161**	**10,642**	**10,959**	**2,844**
of which permanent	*3,126*	*10,283*	*10,702*	*2,707*

(28) Temporary staff are those who do not benefit from a permanent employment contract.

(29) All subsidiaries in which one or more Group companies own a 50% minimum share.

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	26	12	38	341	116	457	367	128	495
25 to 29 years	136	76	212	670	205	875	806	281	1,087
30 to 34 years	196	109	305	943	253	1,196	1,139	362	1,501
35 to 39 years	331	154	485	1,299	295	1,594	1,630	449	2,079
40 to 44 years	401	142	543	1,260	292	1,552	1,661	434	2,095
45 to 49 years	459	116	575	1,359	343	1,702	1,818	459	2,277
50 to 54 years	410	78	488	1,384	311	1,695	1,794	389	2,183
55 to 59 years	328	45	373	1,113	256	1,369	1,441	301	1,742
60 to 64 years	124	9	133	158	31	189	282	40	322
65 years & over	9	0	9	12	1	13	21	1	22
TOTAL	**2,420**	**741**	**3,161**	**8,539**	**2,103**	**10,642**	**10,959**	**2,844**	**13,803**

17.1.2 Recruitment

The recruitment policy is designed to secure the highest level of skills for the Group in order to underpin its development.

In keeping with its founding values (simplicity, solidarity, performance and accountability), ARKEMA attaches, in its recruitment process, a great deal of importance to cultural openness in applicants, their ability to work in teams and bring solutions, and their entrepreneurial skills.

To facilitate the job application process and standardise recruitment procedures, ARKEMA uses a dedicated tool on its website (www.arkema.com). Used by every Group entity worldwide, this tool under the Human Resources heading of the Group's website received a large number of job applications in 2009.

The role of the shared services centre in terms of recruitment is to conduct a preselection of non managerial applicants for Arkema France facilities, and develop relations with targeted education establishments by region for non managerial applicants.

Evolution between 2007 and 2009

In 2009, the Group hired 431 employees under permanent employment contracts.

These figures apply to all of the Group's activities worldwide. 75.4% of these new staff were hired outside France.

Recruitment permanent contracts by geographic region	2009	2008	2007
France	106	340	223
Europe (excl. France)	64	86	74
North America	127	169	161
Asia	116	169	168
Rest of the world	18	20	22
TOTAL ARKEMA	**431**	**784**	**648**

Breakdown by category and sex

In 2009, 31.3% of new recruits concerned managerial profiles. Women accounted for 23.9% of these recruitments.

By geographic region at 31.12.2009	Managerial	Non Managerial	Male	Female
France	40	66	82	24
Europe (excl. France)	17	47	52	12
North America	59	68	95	32
Asia	11	105	86	30
Rest of the world	8	10	13	5
TOTAL ARKEMA	**135**	**296**	**328**	**103**

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	5	4	9	65	12	77	70	16	86
25 to 29 years	17	5	22	51	23	74	68	28	96
30 to 34 years	14	6	20	27	17	44	41	23	64
35 to 39 years	16	8	24	23	6	29	39	14	53
40 to 44 years	12	3	15	16	5	21	28	8	36
45 to 49 years	17	5	22	15	3	18	32	8	40
50 to 54 years	9	1	10	19	1	20	28	2	30
55 to 59 years	6	4	10	11	0	11	17	4	21
60 to 64 years	3	0	3	2	0	2	5	0	5
65 years & over	0	0	0	0	0	0	0	0	0
TOTAL	**99**	**36**	**135**	**229**	**67**	**296**	**328**	**103**	**431**

Relations with the world of education

The Group fosters special relations with the best educational and training structures for all its activities.

In France, ARKEMA sponsors for example *École Supérieure de Physique et Chimie Industrielle (ESPCI)* in Paris and *École Nationale Supérieure des Industries Chimiques* in Nancy (ENSIC). Mindful of optimising recruitment for its support functions, ARKEMA also fosters permanent contact with business schools, in particular ESSEC and ESCP-EAP.

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 our recruitment pool.

17.1.3 Organization of the working week

In every country, the Group implements working hours that comply with legal and professional requirements.

Employees work full time, and to a lesser extent part time. For example, at Arkema France in 2009, 299 people were employed on a part-time basis from a total of 5,743 employees.

Bearing in mind the specific features of the Group's industrial activities, the organization of the working week involves, for some employee groups, continuous, discontinuous or semi-continuous work regimes.

At Arkema France, these work regimes concerned 33.3% of employees.

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.

By way of example, the number of overtime man-hours at Arkema France was 48,644 in 2009.

In 2009, the number of hours off work (excluding authorised leave) at Arkema France was 432,863, i.e. some 4.08% of total man-hours.

17.1.4 Career management

17.1.4.1 Players and tools

Career management is implemented at ARKEMA for Operators, Office Workers, Technicians and Supervisors ('OETAM'), as well as for managerial or executive personnel. It involves the following players and tools:

- career managers are responsible for following up employees throughout their professional path;
- career managers are organized into Corporate pool for managerial personnel and local pool for OETAM personnel;
- professional paths are developed taking account of both the employees' contracts and skills, and the Company's needs;
- the human resources development pole of the Shared Services Centre, organized by region, affords OETAM personnel region-wide mobility;

Present in many countries and regions, ARKEMA seeks to develop a human resources policy based on the principles of diversity and equality of chances.

For OETAM personnel, a proactive policy towards internal promotion and career path fluidity has been set out formally within a GPEC (*Gestion Prévisionnelle de l'Emploi et des Compétences*) (Manpower and Skill Planning) agreement signed by 4 of the 5 trade unions that are representative at Group level.

In order to make everyone more accountable for their own career development, specific interviews have been put in place at various career milestones. In-depth interviews conducted by career managers are designed to help employees appraise the opportunities offered by ARKEMA and build their professional project. These interviews take place on completion of the first third of their career (around the age of 35) and at the beginning of the last third (around the age of 45).

17.1.4.2 International experience

The Group conducts its activities in Europe, America and Asia. It runs 3 international human resources management programs that help capitalize on its international diversity by developing the skills of its personnel around the world.

- International experts

Senior experts are sent to certain countries to work on major projects for the Group if their particular expertise is not already available locally. Their assignment is to launch and oversee the project, train the personnel, and transfer their skills. A number of these experts are currently involved in the Group's development projects in China.

- Development program – a career landmark outside the home country

ARKEMA offers its young executives the opportunity to spend a few years abroad. This allows them to discover other practices, while giving them an additional asset in the progress of their career. Following a 2 to 3 year foreign posting, they return home, ready to share the wealth of new skills they have gained.

- Exposure training

This 3 to 6 month training program allows ARKEMA personnel to broaden their field of expertise on one of the Group's sites used as training venue. This program utilizes the diversity and wealth of skills available within the Group, and is of as much benefit to those employees attending the training as it is to the host teams who are able to discover another culture.

17.1.5 Training and development

Giving employees the means to develop skills and to contribute to technical, social and economic progress represents a major challenge for training initiatives which especially focus on ARKEMA's values and strategy.

ARKEMA's training policy is designed to respond to the following two major challenges:

- to reinforce the sharing of a common culture in terms of safety and environment, management practices, business-specific fundamentals, values, and understanding of the Company's environment;
- to allow all employees to take on and adapt to change (new tools, key projects, and changes in level of responsibility).

Thus, training at Arkema France focuses on consolidating employee skills in safety (in terms of both regulations and behavior), and on support with the evolution of business-specific requirements (with regard to sales/marketing and purchasing in particular).

Additionally, the scope of training available at ARKEMA aims to promote cultural mix and closer contact between employees through sharing experiences. New recruits take part in integration seminars organized on a worldwide basis, to acquaint themselves with the Group's organization and activities while taking advantage of an environment that is conducive to sharing in a culture common to the various countries in which ARKEMA operates.

The "Managers and Technicians Passport" package assists employees as their careers progress by helping them (i) understand the objectives relating to their new position, (ii) develop the necessary skills to manage a team and handle an operational issue, and (iii) better understand their environment (economic and social).

The "Arkema Management Way" seminar allows managers to familiarize themselves with the Group's values, namely simplicity, solidarity, performance and accountability, and the resulting managerial model to adapt their behavior and that of their team members to the challenges of their own entity.

Through its "Amplitude" process, ARKEMA assists employees on an individual basis who attain management posts (promotion to executive, plant manager, BU manager posting, etc.).

Specific professional courses are also available to employees as their job functions evolve.

In accordance with French legislation, there is also in France an 'individual right to training' (*droit individuel à la formation* – DIF). This is used by employees as part of their career paths with a view to advancing their qualifications.

17.1.6 Compensation policy

Overall compensation is a key element of the Group's human resources policy. It aims to valorize and reward fairly the contribution from every employee to the Group's success.

The policy fulfils a number of objectives:

- compensate individual and collective performance;
- develop a sense of responsibilities in everyone, and involve all personnel in the achievement of objectives;
- ensure competitiveness within the job market;
- compensate fairly, and ensure consistency internally;
- control costs.

To strengthen the link between contribution and compensation, all executive posts have been rated in accordance with the Hay method. For these employees therefore, based on their level of responsibility, compensation includes a variable part the amount of which depends on individual performance and on the contribution to the collective performance of a BU, a country or the Group.

In 2009, the compensation policy took account of the context of each country and of the international economic crisis which heavily impacted the chemical sector. Compensation increases were particularly restrained, mostly ranging from 0 to 2% depending on the Group entities and the geographic region.

The compensation policy relating to executive managers entailed a freeze in fixed compensation.

In France, profit-sharing and incentive agreements give every employee the opportunity to share in the results and the progress achieved by their entities.

Finally, free share allocation plans and stock option plans, put in place in 2006, 2007 and 2008, as well as the performance share plan introduced in 2009, are also part of the compensation policy.

The Group validates its overall compensation policy through regular benchmarking against companies of a similar nature or in a similar sector of activity.

17.1.7 Integration of disabled employees in the workplace

The framework agreement on Manpower and Skills Planning (*Gestion Prévisionnelle des Emplois et des Compétences*) in Group companies, dated 23 July 2007, provides in particular for "each Group company to be responsible for defining the resources needed to help maintain disabled people in employment, facilitate their return to work following a long period of absence, and help them find employment".

The Management and the various trade unions at Arkema France signed on 9 June 2008 an initial company agreement in support of maintaining disabled people in employment or helping them find employment, which was ratified by the Hauts de Seine Prefect on 10 July 2008.

This agreement, which covers 2008, 2009 and 2010, confirms the Company's undertakings in terms of solidarity, social responsibility, and respect of diversity.

During 2008:

- 17 contracts were signed with disabled people, including 6 permanent contracts, 3 fixed-term contracts, 1 of which with alternating training, and 8 temporary working assignments;
- 8 adaptations of either job function or organisation or working hours were conducted, 3 of which were preceded by an ergonomic study of the job function;
- concrete help with the training of young disabled people was provided through a payment of €49,000 to specialist organisations as part of the payment of the vocational education tax.

From February 2009, the introduction of an operational organisation, with the creation of a "Disability Mission" within the Human Resources and Internal Communications department and its local coordinators or representatives on site, has helped promote our initiative supporting disabled employees.

A major effort was made in terms of training young disabled people as 10 vocational training contracts were signed, in a wide variety of professions and for very different training levels (HR business degree, master's in HSEQ, BSc in chemistry, storeman, advanced technician in logistics) and a further 14 people were offered training as part of their initial training course or their vocational retraining course.

A proactive recruitment initiative was launched by the sites with support from the HR Development team at the Shared Services Center and the "Disability Mission". Despite a highly restrictive economic environment precluding recruitment under permanent contracts, this initiative led to 7 fixed-term contracts and 12 temporary assignments in 2009.

The various actions conducted in 2009, following on from those undertaken in 2008, have shown that in terms of signed contracts, the cumulative objectives of the agreement over 2 years were achieved.

Furthermore, 12 employees benefited from ARKEMA's undertaking to maintain them in work thanks to a variety of measures such as adaptation of post, working hours, etc.

17.2 Safety in Action

ARKEMA places the safety and security of its activities, the health of people, and the protection of the environment at the top of its priorities. ARKEMA is a signatory to Responsible Care®, a voluntary initiative for a responsible management of activities and products, based on a continuous improvement drive. Two programs in particular are being deployed worldwide: Safety in Action to promote and strengthen a safety culture in every employee, and Common Ground® to develop relations of trust with society at large (see section 17.6 of this reference document). The evolution of safety records is detailed in section 8.2.1 of this reference document.

17.2.1 Three complementary components

ARKEMA's "Safety in Action" initiative is based on three complementary components:

- a technical component, covering primarily the prevention of major risks on the industrial sites and during the transport of hazardous materials;
- a component based on the quality of production operations, with the introduction of safety management systems adapted to the specificities of each industrial site. These management systems are regularly audited and validated by internal and external auditors on the basis of the ISRS (International Safety Rating System) reference database;
- a behavioral component, including safety and health at the workstation, as improvement in performance is closely linked to the implementation of a common safety culture. Since 2004, the human behavior factor for everyone on industrial sites, i.e. ARKEMA employees and subcontractors, has been taken increasingly into account in the Company's action plans.

17.2.2 Action on behavior

To improve both individual and collective behavior, ARKEMA provides its industrial facilities with universal practical tools that can be used by everyone around the world.

- "High Points" refer to scheduled meetings with discussions, held four times a year, allowing every team on an industrial site to exchange and discuss ideas, after watching a short film lasting a few minutes shot on one of the Group's industrial sites. Each film is based on a scenario chosen from a number devised by the local teams on a given safety topic. The members of the team whose scenario has been picked take part as actors in the production of the film.

  The screening of these films gives rise to discussions which help analyze everyday practices in the workplace, and commit the teams to taking up collective actions designed to improve behaviors and eliminate situations carrying risks.
- Cross observation

  After being tested successfully in the United States, Germany and the Netherlands, the principle of peer observation of behavior in the midst of situations involving risks has now been deployed around the world. Using a structured observation method, each site begins by defining the method that best suits their own specific features (type of risks and nature of the activities). Next, the personnel puts the method into practice, with co-workers with similar qualifications observing each other while carrying out their duties on the site. The cross-observation principle helps capitalize on positive experiences and a collective search for solutions to develop risk awareness and improve practices. Therefore it contributes to a reduction in the number of accidents.

17.2.3 Health and safety at work

- Protection of health at the workstation

  ARKEMA developed in 2007 a tool called "Daliha" for monitoring individual exposure to toxic products, which is used jointly by occupational physicians and HSE departments in France. Another tool, called "MRT - *Management des risques et des tâches"* (Risk and Task Management), was rolled out in France in 2008, and in the United States at the beginning of 2009. This comprehensive workplace risk analysis software helps with overseeing improvement actions.
- "No drugs, no alcohol"

In September 2007, ARKEMA's Executive Committee approved the launch of a drug and alcohol prevention initiative across the Group.

The program is based in particular on:

- a worldwide directive dated 23 April 2007 setting out ARKEMA's basic requirements in this regard;
- implementation within each site, overseen by the site manager, the occupational physician, the human resources manager, and the HSE manager so that the specifics of each country and local actions already in place may be taken into account. Deployment across the Group was completed before 1 January 2008 (by which time every site was required to be implementing the directive).

The preventive measures include:

- information of all personnel;
- preventive plans rolled out on the sites;
- regular checks.

In France, occupational physicians on the sites of Arkema France attend training by IPPSA (*Institut de Promotion de la Prévention Secondaire en Addictologie* which provides backup and expert advice) to gain a deeper understanding of the issues involved in alcohol and drug abuse.

- Raising awareness of good health practices

Arkema Inc. has developed the "Health at Work" initiative for all its employees in the United States. Launched in 2007, the project supports health programmes across the company by encouraging employees to take control of their health or continue with whatever approach they may already be following. It is based on five cornerstones: fight against obesity, giving up smoking, physical exercise, nutrition, and health information.

In France, the Group has organized training called "*Sommeil, Alimentation, Travail*" (Sleeping, Eating, Working) for members of occupational health departments.

- Prevention of psycho-social risks

Psycho-social risks cover a variety of notions:

- harassment;
- violence;
- stress at work.

In 2008, ARKEMA launched a preventive initiative for stress at work. This is based on a diagnosis of employees' stress levels, followed by identification of the stress factors linked to the working environment for at-risk employees. The detection of factors related to these work environments must lead to specific action plans for these situations.

An interdisciplinary steering committee (including occupational health professionals, plant managers, BU managing directors, HR & HSEQ managers) was set up in 2008 to launch this initiative within ARKEMA. The steering committee defined the Group's guidelines and will follow up the preventive initiative. It will analyse the results of the employees' state of stress on a regular basis, and monitor or guide any actions being taken.

To date, the steering committee has:

- opted for the ANI (national inter-professional agreement) definition of stress: a state of stress occurs when there is an imbalance between the perception a person has of the constraints imposed by his/her environment and the perception he/she has of the resources needed to cope with them;
- defined the methods for measuring stress by choosing a scientifically validated method;
- laid down the rollout of the measuring process with a training and briefing timetable.

The stress observation process will be introduced in 2010 as an electronic questionnaire completed by the employee during his/her medical check-up. Completion of the questionnaire, consisting of 37 multiple-choice questions, will not be compulsory. Anonymous and confidential, the test will be conducted exclusively as part of the mandatory medical check-up or a visit to the occupational physician requested by the employee.

17.3 Dialogue with social partners and Group's development

To help further its transformation in an ever-changing industrial environment, the Group promotes dialogue and trust in its relations with the trade unions.

17.3.1 An ongoing dialogue with employee representatives

17.3.1.1 Levels of dialogue with employee representatives

As part of its labor relations policy, the Group is developing an ongoing dialogue with employee representatives, across all Group entities, in accordance with local laws and regulations.

At European level, the European Works Council, established in 2007 and comprising 27 members, holds a one-and-a-half day plenary meeting once a year to discuss issues within its remit, in particular:

- economic issues: market trends, commercial situation, level of activity, main strategic areas, development prospects, and objectives;

- financial issues: review of the Group's consolidated financial statements, review of annual report, investments;
- labor issues: the Group's labor policy, employment situation - current and future;
- environmental issues: the Group's policy, changes in European regulations;
- organizational issues: substantial changes regarding the Group's organization, evolution of its activities, creation or closure of activities concerning at least two European Union countries.

In 2009, the plenary meeting was held at the headquarters of Arkema S.A. on 23 and 24 September.

The liaison office of the European works council, which comprises 11 members, meets with the management once every six months.

In 2009, members of the liaison office of the European works council met on 22 April and 2 December at the headquarters of Arkema S.A.

Extraordinary meetings were also held in 2009:

- the liaison office reviewed the evolution of European subsidiaries on 15 January 2009;
- the proposed consolidation of the MMA-PMMA activity concerning Arkema France and Altuglas International was set out in detail at the meeting of the liaison office on 15 July 2009 and at meetings of the European Works Council on 23 September and 21 October 2009.

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 30 members who elected among them the five 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.

17.3.1.2 Review of agreements reached

Arkema France reached 6 company agreements over the course of 2009, as follows:

- amendment to framework agreement on early retirement provisions financed by Arkema France as part of the proposed reorganisation of Jarrie (France), signed on 25 May 2009 by 4 of the 5 trade union organisations;
- agreement on the use of new information and communication technologies by trade unions and personnel representative bodies within Arkema France signed on 25 May 2009 by every trade union organisation;
- amendment to profit-sharing agreement dated 25 September 1989 and signed on 8 June 2009 by 4 of the 5 trade union organisations;
- amendment to agreement of 4 April 2008 on incentive payments at Arkema France for 2009 signed on 8 June 2009 by 3 of the 5 trade union organisations;
- amendment to framework agreement on early retirement provisions financed by Arkema France as part of the proposed reorganisation of Carling (France) signed on 19 November 2009 by every trade union organisation;
- amendment N° 1 to employer/works council agreement on the Ark'Santé healthcare costs refund provisions signed on 9 December 2009 by 4 of the 5 trade union organisations.

Within the French subsidiaries the following agreements were signed:

- COATEX:
  - on 29 January 2010, signature of an agreement on career management for older employees at COATEX SAS by CFE-CGC trade unions;
- CECA:
  - on 24 November 2009, signature of an agreement on the composition of the Central Works Council by CFDT and CFE-CGC trade unions,
  - on 12 January 2010, signature of a memorandum of understanding on the employment of older people by CFDT and CFE-CGC trade unions;
- ALPHACAN:
  - on 28 January 2009, signature of an agreement on the composition of the Central Works Council by every trade union organisation,
  - on 28 January 2009, signature by every trade union organisation of a memorandum of understanding on the terms of office of the members of the works council and of the personnel representatives at Alphacan SA.

Outside France, the employee relations policy within the Group and its affiliates is carried out based on local practices applicable to staff representation and employee/management relations.

- Germany:
  - an agreement was reached on 25 February 2009 and renewed on 25 July 2009 with the works council providing for the introduction of short-time working and setting out the terms and conditions of the implementation thereof,
  - Arkema GmbH concluded on 10 September 2009 with its trade union organisations an agreement as part of the so-called "*Tarifvertrag der Chemischen Industrie*" convention on length of working life and old-age benefits;
- Italy: Trade union representatives from the Rho and Spinetta Marengo sites signed in 2009 an agreement providing for the introduction of short-time working and setting out the terms and conditions of the implementation thereof;
- United States: Employees in facilities with trade union representation are covered by collective agreements negotiated with local and central union organizations. These agreements have an average term of 3 years except for the Calvert City (2 years) and Birdsboro (5 years) sites, and cover in particular wages, employee benefits, and working conditions. In 2009, two agreements were renegotiated, at Calvert City (for twelve months) and at Louisville (this agreement will expire in 2012).

17.3.2 Employee relations and Group's development

The Group's actions are part of a structured initiative involving joint consultation with and working alongside employee representative organizations to accommodate changes in the Group.

More specifically, the various reorganization plans that the Group has decided to initiate and implement have been accompanied by more in-depth exchanges as part of the employee representative organization information and consultation process at both central and local level. The Group pays particular attention to the treatment of the social impact of these changes.

- On 18 June 2008 Alphacan presented to its central works council a project for the reorganization of its Celle Saint-Cloud headquarters (France) and its Gaillac plant (France). The implementation of this plan entails the loss of 29 positions. By December 2009, 6 people were yet to find redeployment.
- On 25 August 2008 the trade unions at the Pomezia plant (Italy) were informed of the proposed closure of the plant (PMMA BU). From the 31 position losses, 11 people took retirement or early retirement, and 19 people are looking for external redeployment, with 15 of them using the external employment services offered by the Company.
- At the beginning of October 2008, personnel representatives from the Samarate site (Italy) – Resilia (Vinyl Compounds) – were notified of a proposed reorganization that would lead to the loss of 25 positions. A support agreement has been reached with the trade unions.
- In November 2008, a draft plan for improving the competitiveness of the Rho facility (Italy) – Arkema Srl – was announced to the trade unions, which concluded an agreement with the management on 23 December 2008. The project entails the loss of 17 positions including 14 in the plant. The solutions for the personnel concerned include retirement or early retirement, as well as resignation.
- In December 2008, an information and consultation process involving the members of Arkema France's central works council was initiated regarding a proposed reorganization of the Saint-Auban and Jarrie sites (France). The proposed reorganization of the Jarrie site entails the shutdown of aluminum chloride production, the reorganization of hydrogen peroxide and chlorine-caustic soda plants, and targeted capital expenditure to improve plant reliability. The project entails the loss of 73 positions. The management has undertaken to devote all necessary efforts to facilitating internal transfers within the Group and, where necessary, external transfers for those employees concerned by job losses. Early retirement packages have also been negotiated.
- In December 2008 members of the central works council were informed of a plan for the proposed future of the Goods and Services Procurement organization at Arkema France. The project aims to centralize in the Lyon region all purchasing functions from the various industrial sites, and leads to the loss of 41 positions around the sites and the creation of 24 positions in the Lyon region. By December 2009, 21 employees had found a suitable solution, 16 of whom through internal transfers.
- On 11 December 2008, the central works council of Alphacan was informed of the proposed industrial reorganization of the Profiles business in France. The project entails the loss of 37 positions resulting from the closure of the Hasparren site (France) in two phases (16 positions in June and 21 positions at 31 December 2009), and the creation of 12 positions at Alphacan's other 3 Profiles sites in France. In early December 2009, 6 employees were offered a suitable solution, while the remaining 31 were at least offered an internal transfer proposal.
- In December 2008 personnel representatives from Alphacan's Miranda site (Spain) were informed of the proposed shutdown of this activity, leading to the site's closure and the loss of 79 positions.
- On 2 December 2008 the head office employees of Arkema's UK subsidiary (Solihull) were informed of a plan to close the head office in two stages (June 2009 for back-office functions and December 2009 for all remaining functions). This closure involves the loss of 15 positions.
- In December 2008 personnel representatives from the Arkema GmbH Ehringshausen site (Germany) were informed of a plan for the future of the organization, leading to the loss of 20 positions. A framework agreement has been concluded with the trade unions.
- The Résinoplast works council was informed in February 2009 of the reorganization of its head office and its production plant at Reims (France), leading to the loss of 20 positions. An agreement was reached on 15 May 2009 with the trade unions. By the end of 2009, a solution had been identified for every employee concerned by this reorganization.
- On 11 March 2009, ARKEMA's central works council was informed of a plan to shut down production of ethyl methyl ketone at the La Chambre (France) industrial site by the end of 2009 and the disposal of the marketing and sales assets to Sasol Solvents Germany GmbH. This project entails the loss of 22 positions, and includes investments to consolidate the site's other activities.
- In May 2009, CECA announced the closure of the perlite and dessicant bags activities at its Honfleur site (France), entailing the loss of 16 positions. Every employee has found alternative employment on the site.
- Members of the Arkema France central works council were informed on 25 June 2009 of a proposed reorganization of the Carling site (France), resulting in the loss of 163 positions. Management is providing early retirement packages, assistance with transfer opportunities on site and within the Group, and help with setting up personal projects.
- Members of the Altuglas Internationnal central works council were informed on 25 June 2009 of a proposed reorganization of the Altuglas International PMMA Sheet business, entailing recentering in Europe on higher added value sheet by cutting back the activity at the structurally loss-making Bernouville site (France) and consolidating the logistics set-up at Carling Saint-Avold (France). This project leads to the loss of 76 positions at the Bernouville facility. Management is taking every possible step to identify solutions for every employee concerned, in particular internal or external redeployment and the negotiation of early retirement packages financed by ARKEMA.
- Members of the Lannemezan (Arkema France) works council were informed in May 2009 of the proposed shutdown of the derivatives 200 production line. This project leads to the loss of 7 positions. Management has undertaken to provide internal redeployment opportunities for every employee concerned and, hence, avoid redundancies.
- On 2 September 2009, an information and consultation process involving members of the Arkema France central works council was launched regarding a proposed reorganization of the Saint-Auban site (France). This proposed reorganization of the

Saint-Auban facility entails the loss of 58 positions. In addition to assistance with internal and external mobility, management has identified within the local PACA region the various short- and medium-term vacancies for which employees from the Saint-Auban facility have the required skills and profile. These positions identified within the Fos-sur-Mer, Lavéra and Marseille facilities are reserved.

- Members of the Mont (Arkema France) works council were informed on 21 October 2009 of a project to alter the activities of the site. This project would result in the loss of 9 positions.
- Members of the Balan (Arkema France) works council were informed on 6 November 2009 of the proposed closure of the PVC 1A reaction unit. This project entails the loss of 9 positions, albeit without any redundancies thanks to internal transfer opportunities.
- Arkema Inc. has also initiated a restructuring project aimed at safeguarding the Company's competitiveness in the United States. This reorganization has resulted in the loss of over 200 positions, both at the headquarters and at the plants.
- In Poland, ARKEMA announced on 24 June 2009 the transfer of the head office from Warsaw to Inowroclaw on 31 December 2009. Every employee concerned has been offered an alternative position.

17.4 Welfare - Retirement

17.4.1 Welfare and employee benefits

The Group's various entities in France and abroad are responsible for ensuring that the social security and employee benefit provisions are in keeping with their needs and with local practices, within the constraints of the agreed annual budgets.

Welfare schemes are in place in most countries, and cover at least risks related to death and disability. A study conducted in 2008 showed that the guaranteed payment levels in the event of death represent at least two years' salary.

Following over twelve months of negotiation, Arkema France put in place with effect from 1 January 2009 a harmonized medical expenses refund scheme, on the basis of a collective agreement signed on 8 September 2008 by 4 trade unions.

This mutual medicare fund called Ark'Santé is part of ARKEMA's Human Resources policy, and aims to offer every employee a consistent and high-quality level of social welfare benefits, at a competitive and controlled cost.

17.4.2 Supplementary pension schemes

Supplementary pension plans – Arkema S.A.

Some executives benefit from defined benefit supplementary pension schemes, for which provisions have been made in the consolidated and corporate financial statements as detailed in note 4 to the company's financial statements in section 20.6 of this reference document and in section 16.1 of this reference document.

Supplementary pension plans – Arkema France

In France, some employees benefit from defined benefit supplementary pension schemes of the differential type. These schemes were transferred from Rhône-Poulenc companies and various companies in the Pechiney Group. They were set up in the 1950s, and were closed to employees hired after 1973 at the latest.

The corresponding liabilities (all rights acquired by retired beneficiaries at the date of transfer and rights acquired up to the date of transfer for those still in employment) were outsourced to CNP Assurance on 31 December 2004.

Rights still to be acquired by scheme members still in employment are covered by provisions in the Group's accounts as they are acquired, and give rise to regular payments of an additional premium.

Two years into the implementation of this insurance contract, it was decided to ensure that the assumptions made at the time of outsourcing were still valid. An actuarial study to estimate future pensions for people still in employment was launched at the end of 2007. The findings of this study have been included in the Group's consolidated accounts.

Group Pension Plans – Significant international subsidiaries

In some countries where basic mandatory pension plans do not guarantee an adequate income, the Group's entities have set up defined benefit pension plans.

In order to limit the corresponding liabilities, these entities have gradually closed their schemes to new entrants, replacing them with defined contribution schemes.

This is the case in the United Kingdom and Germany where defined benefit schemes were closed to new entrants from 1 January 2002, on which date defined contribution schemes were set up.

In the United States, the following changes were made in 2006:

- the defined benefit plan was closed to employees recruited after 1 January 2007;
- the rights accrued by employees aged under 50 at 31 December 2007 will be frozen and retained definitively.

Finally, it should be noted that the Total Group retained pension liabilities relating to retired persons prior to 1 January 2005 in the United States.

In the Netherlands, changes were made to the pension plan in 2006 to comply with new regulations, and the payment of a pension before the statutory pensionable age is no longer allowed. The corresponding pension liabilities are covered by an insurance policy in accordance with the law.

17.5 Collective compensation, employee savings schemes and employee share ownership

17.5.1 Incentives and profit sharing

In addition to the profit-sharing scheme required by law in France, the Group's French companies have set up an incentive scheme giving all employees a share of profits and incentives to meet certain performance objectives, so as to promote the Group's growth.

These schemes are specific to each subsidiary, but based on the same principles: incentive compensation is made up of two components, firstly a bonus based on the economic results, and secondly a performance bonus defined by each facility based on achieving objectives specific to each facility.

The incentive agreement of Arkema France was renegotiated by a collective agreement signed on 4 April 2008 by the CFDT, CFE-CGC, CFTC and CGT-FO trade unions. It is valid for three years, and covers the 2008, 2009 and 2010 financial years. Total incentive compensation that can be paid out for a given year represents a maximum of 5.4% of total payroll.

Furthermore, in accordance with law n°2006-1770 dated 30 December 2006, and on a decision of the Board of Directors of Arkema France meeting on 25 February 2008, an additional incentive payment was made in 2008 to every Arkema France employee, in the sum of €500 per person.

17.5.2 Employee savings schemes

A Group Savings Plan (*Plan d'Epargne Groupe* – PEG) allows employees of member companies to make voluntary contributions and invest their profit-sharing and incentive income.

They enjoy matching funding of up to €800/year from the employer, covering profit-sharing and incentive income as well as voluntary contributions.

The investment structures available are the "*Arkema Actionnariat France*" company investment collective fund (*Fonds Commun de Placement d'Entreprise* – FCPE) entirely invested in the Company's shares, and a range of multi-company FCPE funds offering the choice of investment in different asset classes (equities, bonds, money market) and thus allowing employees to diversify their savings.

17.5.3 Employee share ownership

ARKEMA is keen to pursue an active policy of encouraging employee share ownership and intends, from time to time, to carry out capital issues reserved for employees in order to involve them closely with the future growth of the Group.

The first share capital increase operation took place in 2008. The operation was open to employees of the Company and affiliated companies, under the conditions laid down in article L.233-16 of the French Commercial Code (*Code de commerce*), which participate in the PEG-A savings scheme, and for which local administrative authorizations have been obtained. It was also open to former employees of Arkema S.A. and its subsidiaries who have now retired but still have assets in the company savings plan.

19 countries participated in the operation, with some 4,000 subscriptions registered.

The operation took employee shareholding in Arkema S.A. from 1% to just over 2%.

At 31 December 2009, Group employees, within the meaning of article L. 225-102 of the French Commercial Code (*Code de commerce*) held 3.64% of Arkema S.A.'s share capital.

Accordingly, in accordance with aforementioned article and the Articles of Association of Arkema S.A., it will be proposed to the annual general meeting on 1 June 2010 to appoint a director representing employee shareholders.

Using the delegation of powers renewed by the extraordinary general meeting on 15 June 2009, and in line with its commitment to proceeding on a regular basis with share capital increase operations reserved for employees, the Board of Directors, meeting on 3 March 2010, agreed the launch of a worldwide operation enabling employees in the main countries where the Group operates to acquire shares at privileged conditions. The subscription period took place from March 10 to March 24, 2010 included. The subscription price was set at €20.63 per share and corresponds to the average opening price quoted in the last 20 trading days prior to the date of the Board of Directors minus 20% discount.

17.5.4 Stock options and free share allocations

The combined annual general meeting of 10 May 2006 authorized the Board of Directors of Arkema S.A. to put in place a stock option plan and a free share allocation plan for employees of the Group in order to involve them closely with the Group's future growth as well as its stock market performance.

In implementing this authorization and on recommendation from the Nominating and Compensation Committee, the Board of Directors put in place various stock option plans and free share allocation plans.

Stock option plans

Options to subscribe for shares are granted for an eight-year period. The exercise price of the option is the average listed price for the shares during the twenty trading days prior to the date of allocation of the options, with no discount applied.

These options may only be exercised after an initial two-year period, provided the bearer is still employed by the Group, and shares acquired by the exercise of options may not be sold for a further two-year period.

Tables for Arkema S.A. stock option plans at 31 December 2009 are featured in note 26.1 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

In 2009, given the exceptional economic environment, it was decided not to grant any stock options.

Free share allocation plans

PREVIOUS FREE SHARE ALLOCATION PLANS

The free allocation of shares is not definitive until the end of a two-year period (the acquisition period).

After the acquisition period, and subject to the conditions set by the plan, shares are definitively acquired by the beneficiaries, who must then hold them for a further two-year period (the holding period) before they can sell them.

Tables for Arkema S.A. free share allocation plans at 31 December 2009 are featured in note 26.2 to the consolidated financial statements at 31 December 2009 in chapter 20 of this reference document.

Despite the economic climate, and in order to maintain a performance-based compensation tool, on a proposal by the Nominating and Compensation Committee, the Board of Directors meeting on 12 May 2009 validated the list of beneficiaries and the terms of a performance share plan.

PERFORMANCE SHARE PLAN 2009

The allocation of rights to performance shares is not definitive until the end of a two-year period (the acquisition period).

After this acquisition period, and subject to the conditions set by the plan, shares are definitively acquired by the beneficiaries, who must then hold them for a further two-year period (the holding period).

Two performance conditions have been set: one, internal condition, reflecting a key priority for the Group, relates to free cash generation; the other, external condition relates to ARKEMA's economic performance compared to a benchmark of competitors.

This plan entailed 184,850 performance shares granted to 646 people.

The Chairman and Chief Executive Officer and the members of the Executive Committee decided to forego this allocation of performance shares.

17.6 Corporate citizenship and welfare initiatives

Common Ground® is an innovative community relations initiative designed to acquaint all stakeholders, in particular the communities living in the vicinity of our industrial sites, with ARKEMA's activities and products, through listening, discussing, explaining, informing, in particular on the way our plants operate and on preventive measures in the field of health-safety-environment.

Originally launched in France, the Common Ground® initiative has been gradually rolled out in every country in which ARKEMA operates through many types of actions: open days, plant tours, public information meetings, exhibitions, safety promotion days.

As part of a partnership launched with the French Red Cross in 2006, over 5,000 people – employees as well as people living near the 30 industrial sites run by ARKEMA and its subsidiaries in France - have received first-aid training.

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 deserving students of the school as well as high-potential candidates experiencing financial difficulties.

For the fourth consecutive year, ARKEMA took part in the *Mondial des métiers* event in the Rhône-Alpes region of France, which saw over 100,000 visitors from 19 to 22 March 2009.

As in every year, in 2009 a number of ARKEMA industrial sites played an active role in the *Fête de la Science* in France, a nationwide event organised across the country at the initiative of the Ministry for Research and Education.

In the United States, the Science Teacher Program for teachers and children from primary and secondary schools is deployed around 13 industrial sites of Arkema Inc. across several US states. 14 years into its existence, the program has helped raise science awareness in several hundreds of teachers and some 20,000 students.

18 Main shareholders

18.1 Share ownership and voting rights

To the best of the Company's knowledge, the ownership of Arkema S.A. shares at 31 December 2007, 31 December 2008, and 31 December 2009 was as follows:

	2009			2008		2007	
	% of share capital	% of voting rights	% of theoretical voting rights *	% of share capital	% of voting rights	% of share capital	% of voting rights
1. Shareholders declaring owning at least 5% of share capital and/or voting rights							
Greenlight Capital (a)	10.6	9.9	9.9	10.6	10.0	10.6	10.6
Dodge & Cox (b)	10.1	9.4	9.4	10.1	9.5	9.9	9.9
BlackRock, Inc. (c)	5.5	5.2	5.2	n/a	n/a	n/a	n/a
Barclays Global Investors (d)	n/a	n/a	n/a	n/a	n/a	5.9	5.9
M&G Investment Mgt (Prudential) (e)	5.7	5.3	5.3	n/a	n/a	n/a	n/a
Groupe Bruxelles Lambert (f)	n/a	n/a	n/a	3.9	3.7	3.9	3.9
Compagnie Nationale à Portefeuille (f)	n/a	n/a	n/a	1.3	2.6	1.3	1.3
Total (g)	4.2	7.7	7.7	4.2	7.8	4.2	4.2
2. Other institutional shareholders	**50.8**	**46.6**	**46.6**	**57.8**	**54.4**	**54.1**	**54.1**
of which holders of ADRs (h)	0.7	0.6	0.6	1.9	1.8	3.6	3.6
3. Group employees (i)	**3.6**	**5.3**	**5.3**	**2.6**	**2.4**	**1.0**	**1.0**
4. Individual shareholders	**9.5**	**10.6**	**10.6**	**9.4**	**9.6**	**9.1**	**9.1**
5. Treasury shares	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**n/a**	**n/a**
TOTAL	**100**	**100**	**100**	**100**	**100**	**100**	**100**

* *Pursuant to article 223-11 of the general regulation of Autorité des marchés financiers, the number of theoretical voting rights is calculated on the basis of all shares to which voting rights are attached, including shares without voting rights.*

The breakdown of the share capital of Arkema S.A. was established on the basis (i) of the declarations made to the *Autorité des marchés financiers* of threshold crossing and (ii) of 60,454,973 shares corresponding to 64,553,383 voting rights at 31 December 2009, including 4,186,010 shares with double voting rights, and (iii) 60,454,973 shares corresponding to 64,166,745 voting rights at 31 December 2008, including 3,751,479 shares with double voting rights and (iv) 60,453,823 shares corresponding to 60,453,823 voting rights at 31 December 2007. TPI procedures were carried out at the end of the three years in accordance with article 8.1 of Articles of Association. To the Company's knowledge and based on its register, no share of the Company has been pledged, or used as a guarantee or a surety.

(a) Greenlight Capital LLC, Greenlight Capital Inc. and DME Advisors LP reported that on 13 June 2006, they crossed over the 10% threshold of the share capital and voting rights of the Company. These companies made a declaration of intent to the *Autorité des marchés financiers* (French financial markets authority) on 20 June 2006 on the occasion of this threshold crossing, in which they stated that "operations have been and will be continued depending on market opportunities".

(b) Dodge & Cox reported that on 13 July 2006 it crossed over the 5% threshold of the share capital and voting rights of the Company.

Dodge & Cox reported that on 22 April 2008 it crossed over the 10% threshold of the share capital and voting rights of the Company. On the same date Dodge & Cox made a declaration of intent to *Autorité des marchés financiers*, explaining that *"the customers of Dodge & Cox […] intended to acquire additional ARKEMA shares over the next twelve months, should the market conditions and the evolutions concerning the issuer make the investment attractive. It is therefore not the intention of Dodge & Cox to acquire the control of ARKEMA or obtain a representation on the Board of Directors of ARKEMA."*

(c) BlackRock Inc. stated that it crossed over the 5% threshold of the share capital and voting rights of the Company on 1 December 2009. This threshold crossing is the result of the acquisition by BlackRock Inc. of the company Barclays Global Investors on 1 December 2009.

(d) The company Barclays Global Investors UK Holding Ltd, acting on behalf of its subsidiaries, stated that it crossed over the 5%

threshold of the share capital and voting rights of the Company on 2 August 2007.

Barclays Global Investors Limited, Barclays Global Investors N.A., Barclays Global Fund Advisors and Barclays Global Investors (Deutschland) AG reported that on 19 June 2008 they crossed downward in concert the 5% threshold of voting rights, and on 24 June 2008 the 5% threshold of the Company's share capital.

Barclays Global Investors UK Holding Limited reported, on behalf of the management companies of the Barclays group, that they crossed over the 5% threshold of the Company's share capital on 3 February 2009.

Barclays Global Investors UK Holding Limited reported, on behalf of the management companies of the Barclays group, that they crossed downward the 5% threshold of the Company's share capital on 18 March 2009.

Barclays Global Investors UK Holding Limited reported, on behalf of the management companies of the Barclays group, that they crossed over the 5% threshold of the Company's share capital on 19 August 2009.

Barclays Global Investors UK Holding Limited reported, on behalf of the management companies of the Barclays group, that they crossed downward the 5% threshold of the Company's share capital on 21 October 2009.

(e) The company M&G Investment Management Limited, controlled indirectly by Prudential plc, acting on behalf of clients of Prudential group companies, reported that it crossed over the 5% threshold of the Company's share capital on 30 April 2009.

Prudential Plc stated that it crossed over the 5% threshold of the Company's voting rights on 17 June 2009.

(f) Groupe Bruxelles Lambert is jointly controlled by the Desmarais family and Frère-Bourgeois S.A.; Frère-Bourgeois S.A.'s interest in Groupe Bruxelles Lambert is held mainly via its direct and indirect interests in Compagnie Nationale à Portefeuille.

Compagnie Nationale à Portefeuille (CNP) reported that it crossed downward, indirectly via the companies Kermadec and Groupe Bruxelles Lambert, the 5% threshold of the Company's share capital on 4 August 2009 following a sale of ARKEMA share on the market and the 5% threshold of the Company's voting rights on 6 August 2009 following the loss of double voting rights resulting from the conversion to bearer form of ARKEMA shares held by Kermadec.

(g) *Société anonyme* Total reported that on 18 May 2008 it crossed directly and indirectly over the 5% threshold of the voting rights of the Company. Furthermore, Fingestval stated that on 18 May 2008 it crossed over individually the 5% threshold of the voting rights of the Company. These thresholds crossings are the result of an allocation of double voting rights.

Société anonyme Total reported that it crossed downward, on 12 March 2010, indirectly via the company Fingestval which it controls, the 5% threshold of the company's voting rights. This threshold crossing results from the loss of double voting rights following the conversion to bearer form of the ARKEMA's shares and from the sale of ARKEMA shares on the market.

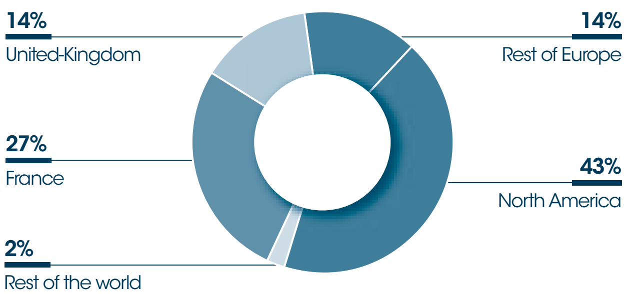
(h) American Depositary Receipts. The Company has established an ADR program in the United States and to this end entered into a Deposit Agreement with Bank Of New York on 18 May 2006.

(i) Based on the definition of employee share ownership within the meaning of article L.225-102 of the *Code de Commerce*.

Crédit Agricole Asset Management acting on behalf of the "Arkema Actionnariat France" FCPE (fonds commun de placement d'entreprise – company investment collective fund) that it manages, reported that the FCPE crossed, on 6 April 2009, the 5% threshold of the voting rights following the grant of double voting rights and on 9 April 2009, the 5% threshold of the share capital of the Company following acquisition of shares.

In 2010, the company Norges Bank reported that it crossed over the 5% threshold of the Company's share capital and voting rights on 12 January.

GEOGRAPHIC SHARE OWNERSHIP BREAKDOWN (ESTIMATED AT 31 DECEMBER 2009)



18.2 Double voting rights and limitations on number of voting rights

Articles 17.3 and 17.4 of the Articles of Association limit the percentage of voting rights held by a given shareholder to 10% of the total number of voting rights attached to the Company's shares, and confer double voting rights at the end of a period of two years after the shares have been registered, such double voting rights being limited to 20% of the total number of voting rights attached to the Company's shares.

The provisions regarding double voting rights and limitations on the number of voting rights, approved by the combined annual general meeting of shareholders on 10 May 2006, are described in section 21.2.6 of this reference document.

18.3 Termination of limitations on number of voting rights

The limitations provided in the Articles of Association and described in section 21.2.6 of this reference document shall lapse, without the need for the adoption of a new resolution by the extraordinary general meeting, when a natural person or a legal entity, acting separately or in concert with one or more natural persons or legal entities, comes to hold at least two-thirds of the total number of shares in Arkema S.A. following a public offering for all Arkema S.A. shares. The Board of Directors then recognizes that the limitations have lapsed and carries out the related formalities to amend the Articles of Association.

18.4 Control of the Company

As of the date of this reference document, the Company is not controlled directly or indirectly by any shareholder.

As of the date of this reference document and to the best of the Company's knowledge, there is no shareholders' pact which if implemented could result in the acquisition of control over the Company.

19 Related party transactions

The majority of companies not consolidated by the Group as of the date of this reference document are listed in chapter 25 of this reference document. Some of these companies sell products or provide services to companies consolidated by the Group.

In addition, certain consolidated Group companies sell products or provide services to certain non-consolidated companies.

These transactions, taken separately or together, are not material. They were entered into under ordinary conditions comparable to those applicable to similar transactions with third parties.

A description of related-party transactions is provided in note 25 of the notes to consolidated financial statements contained in chapter 20 of this reference document and in the statutory auditors' special report on regulated agreements and commitments which is included in annex 2 of this reference document.

20 Financial information concerning the assets, financial conditions and results of the issuer

20.1 Report from statutory auditors on consolidated financial statements

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 includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual financial statements. The report also includes information relating to the specific verification of information in the management report. This report, together with the statutory auditors' report addressing financial and accounting information in the Chairman's report on internal control, 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

Faubourg de l'Arche

11, allée de l'Arche

92037 Paris la Défense Cedex

S.A.S. à capital variable

Commissaire aux comptes

Membre de la Compagnie Régionale de Versailles

Arkema

Year ended 31 December 2009

Statutory auditors' report on the consolidated financial statements

To the shareholders,

Following our appointment as statutory auditors by your general meetings, we present herewith our report for the year ended 31 December 2009, on:

- the audit of the consolidated financial statements of Arkema, as enclosed with this report;
- the justification of our assessments;
- the specific verification required by French law.

The consolidated financial statements were 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 CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes verifying, on a test basis or by other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the data which we collected was sufficient and appropriate to provide a reasonable basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, the financial position of the entities included in the consolidation as at 31 December 2009, and the results of their operations for the year then ended in accordance with IFRS as adopted by the EU.

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, the Group tests its property, plant and equipment and intangible assets for impairment following the methodology described in note 5 of chapter B of the notes to the financial statements ("Accounting principles"). Cash flow forecasts and other assumptions underlying the computation of amortization were estimated at 31 December 2009 in a context of acute volatility in raw materials markets and an undeniable difficulty in gauging the economic outlook. It is in this context that we examined the methodology used for these impairment tests together with the underlying data and assumptions used and the calculations made by the Group. We also verified that the disclosures made in note 5 of chapter B of the notes to the financial statements, as well as notes 4, 9 and 10 of chapter C "Notes to the consolidated financial statements" provide an appropriate level of information.
- The Group books provisions to notably cover environmental risks, litigations in respect of competition law and restructuring costs, following the principles disclosed in note 8 of chapter B of the notes to the financial statements ("Accounting principles"). Notes 19.1 and 19.2.1 of chapter C to the consolidated financial statements also disclose contingent liabilities reported in this respect. On the basis of available information, our work consisted in analyzing the procedures used by management to identify and measure risks subject to these provisions and in examining the data and assumptions underlying the estimates provided by the Group to support such provisions, including some correspondence with lawyers, in order to assess their reasonableness. We also verified that the disclosures made in note 4 regarding other income and expenses, notes 18.2, 18.4, 18.5, 18.6 regarding provisions, notes 19.1 and 19.2.1 regarding contingent liabilities, and notes 27.2.1 and 27.2.2 regarding commitments received, of chapter C ("Notes to the consolidated financial statements") provide an appropriate level of information.
- The Group books provisions to cover its employee pensions and other post-employment benefit liabilities using the method described in note 9 of chapter B of the notes to the consolidated financial statements ("Accounting principles"). 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 of the notes to the financial statements ("Accounting principles") and notes 18.2 and 18.3 regarding provisions, of Chapter C "Notes to the consolidated financial statements" provide an appropriate level of information.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law, we have also verified in accordance with professional standards applicable in France the information 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, 4 March 2010

The statutory auditors

French original signed by

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20.2 Consolidated financial statements at 31 December 2009

Consolidated income statement

(In millions of euros)	Notes	2009	2008
Sales	(C1&C2)	**4,444**	**5,633**
Operating expenses		(3,911)	(4,840)
Research and development expenses	(C3)	(136)	(150)
Selling and administrative expenses		(357)	(393)
Recurring operating income	(C1)	**40**	**250**
Other income and expenses	(C4)	(109)	(53)
Operating income	(C1)	**(69)**	**197**
Equity in income of affiliates	(C11)	13	8
Financial result	(C5)	(28)	(35)
Income taxes	(C7)	(87)	(69)
Net income of continuing operations		**(171)**	**101**
Net income of discontinued operations		**-**	**-**
Net income		**(171)**	**101**
Of which: minority interests		1	1
Net income - Group share		**(172)**	**100**
Earnings per share ***(amount in euros)***	(C8)	*(2.85)*	*1.65*
Diluted earnings per share ***(amount in euros)***	(C8)	*(2.85)*	*1.65*
Depreciation and amortization	(C1)	(270)	(248)
EBITDA *	(C1)	310	498
Adjusted net income *	(C6)	(49)	146
Adjusted net income per share ***(amount in euros)***	(C8)	*(0.81)*	*2.41*
Diluted adjusted net income per share ***(amount in euros)***	(C8)	*(0.81)*	*2.41*

* *See note B19 Accounting policies / Main accounting and financial indicators.*

The accounting policies applied in preparing the consolidated financial statements at 31 December 2009 are identical to those used in the consolidated financial statements at 31 December 2008, except for the policies described at the start of note B Accounting policies.

Statement of recognized income and expense

31 December 2008 *(In millions of euros)*	Group share	Minority interests	Total
Net income	**100**	**1**	**101**
Hedging adjustments	9	-	9
Actuarial gains and losses	(60)	-	(60)
Change in translation adjustments	56	-	56
Other	(2)	-	(2)
Tax impact	27	-	27
Total income and expense recognized directly through equity	**30**	**-**	**30**
TOTAL RECOGNIZED INCOME AND EXPENSE	**130**	**1**	**131**

31 December 2009 *(In millions of euros)*	Group share	Minority interests	Total
Net income	**(172)**	**1**	**(171)**
Hedging adjustments	(9)	-	(9)
Actuarial gains and losses	(2)	-	(2)
Change in translation adjustments	6	-	6
Other	4	-	4
Tax impact	1	-	1
Total income and expense recognized directly through equity	**-**	**-**	**-**
TOTAL RECOGNIZED INCOME AND EXPENSE	**(172)**	**1**	**(171)**

Consolidated balance sheet

(In millions of euros)	Notes	31 December 2009	31 December 2008
Assets			
Intangible assets, net	(C9)	481	466
Property, plant and equipment, net	(C10)	1,608	1,638
Equity affiliates: investments and loans	(C11)	59	53
Other investments	(C12)	21	22
Deferred income tax assets	(C7)	21	25
Other non-current assets	(C13)	88	137
TOTAL NON-CURRENT ASSETS		**2,278**	**2,341**
Inventories	(C14)	737	1,026
Accounts receivable	(C15)	710	838
Other receivables and prepaid expenses	(C15)	118	149
Income taxes recoverable	(C7)	9	22
Other current financial assets	(C22)	4	30
Cash and cash equivalents	(C16)	89	67
Total assets of discontinued operations		-	-
TOTAL CURRENT ASSETS		**1,667**	**2,132**
TOTAL ASSETS		**3,945**	**4,473**
Liabilities and shareholders' equity			
Share capital		605	605
Paid-in surplus and retained earnings		1,264	1,476
Treasury shares		-	(1)
Translation adjustments		(78)	(84)
SHAREHOLDERS' EQUITY - GROUP SHARE	(C17)	**1,791**	**1,996**
Minority interests		22	22
TOTAL SHAREHOLDERS' EQUITY		**1,813**	**2,018**
Deferred tax liabilities	(C7)	53	47
Provisions and other non-current liabilities	(C18)	791	835
Non-current debt	(C20)	85	69
TOTAL NON-CURRENT LIABILITIES		**929**	**951**
Accounts payable		603	690
Other creditors and accrued liabilities	(C23)	233	259
Income taxes payable	(C7)	20	17
Other current financial liabilities	(C22)	2	45
Current debt	(C20)	345	493
Total liabilities of discontinued operations		-	-
TOTAL CURRENT LIABILITIES		**1,203**	**1,504**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,945**	**4,473**

Consolidated cash flow statement

(In millions of euros)	2009	2008
Net income	(171)	101
Depreciation, amortization and impairment of assets	298	268
Provisions, valuation allowances and deferred taxes	(29)	(56)
(Gains)/losses on sales of assets	(21)	(38)
Undistributed affiliate equity earnings	(8)	(8)
Change in working capital	384	56
Other changes	(1)	8
Cash flow from operating activities	**452**	**331**
Intangible assets and property, plant, and equipment additions	(301)	(335)
Change in fixed asset payables	(46)	5
Acquisitions of subsidiaries, net of cash acquired	(3)	(18)
Increase in long-term loans	(33)	(49)
Total expenditures	(383)	(397)
Proceeds from sale of intangible assets and property, plant, and equipment	27	40
Change in fixed asset receivables	14	(14)
Proceeds from sale of subsidiaries, net of cash sold	3	-
Proceeds from sale of unconsolidated investments	4	2
Repayment of long-term loans	85	27
Total divestitures	133	55
Cash flow from investing activities	**(250)**	**(342)**
Issuance (repayment) of shares	-	17
Purchase of treasury shares	(1)	(25)
Dividends paid to parent company shareholders	(36)	(46)
Dividends paid to minority shareholders	(1)	-
Increase / decrease in long-term debt	21	20
Increase / decrease in short-term borrowings and bank overdrafts	(154)	22
Cash flow from financing activities	**(171)**	**(12)**
Net increase/(decrease) in cash and cash equivalents	31	(23)
Effect of exchange rates and changes in scope	(9)	32
Cash and cash equivalents at beginning of period	67	58
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**89**	**67**

At 31 December 2009, income taxes paid amount to €52 million (€59 million at 31 December 2008).

Interest received and paid included in cash flow from operating activities at 31 December 2009 amount, respectively, to €0.3 million and €10 million (€0.4 million and €26 million at 31 December 2008).

Consolidated statement of changes in shareholders' equity

	Shares issued					Treasury shares				
(In millions of euros)	Number	Amount	Paid-in surplus	Retained earnings	Translation adjustments	Number	Amount	Shareholders' equity – Group share	Minority interests	Shareholders' equity
At 1 January 2008	**60,453,823**	**605**	**1,006**	**440**	**(140)**	**-**	**-**	**1,911**	**21**	**1,932**
Cash dividend	-	-	-	(46)	-	-	-	(46)	-	(46)
Issuance of share capital	760,717	7	10	1	-	-	-	18	-	18
Purchase of treasury shares	-	-	-	-	-	(799,274)	(25)	(25)	-	(25)
Cancellation of purchased treasury shares	(759,567)	(7)	(17)	-	-	759,567	24	-	-	-
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	8	-	-	-	8	-	8
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**1,150**	**-**	**(7)**	**(37)**	**-**	**(39,707)**	**(1)**	**(45)**	**-**	**(45)**
Net income	-	-	-	100	-	-	-	100	1	101
Income and expenses recognized directly through equity	-	-	-	(26)	56	-	-	30	-	30
Total recognized income and expense	**-**	**-**	**-**	**74**	**56**	**-**	**-**	**130**	**1**	**131**
At 31 December 2008	**60,454,973**	**605**	**999**	**477**	**(84)**	**(39,707)**	**(1)**	**1,996**	**22**	**2,018**

	Shares issued					Treasury shares				
(In millions of euros)	Number	Amount	Paid-in surplus	Retained earnings	Translation adjustments	Number	Amount	Shareholders' equity – Group share	Minority interests	Shareholders' equity
At 1 January 2009	**60,454,973**	**605**	**999**	**477**	**(84)**	**(39,707)**	**(1)**	**1,996**	**22**	**2,018**
Cash dividend	-	-	-	(36)	-	-	-	(36)	(1)	(37)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(48,300)	(1)	(1)	-	(1)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(2)	-	87,600	2	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	,
Share-based payments	-	-	-	4	-	-	-	4	-	4
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**(34)**	**-**	**39,300**	**1**	**(33)**	**(1)**	**(34)**
Net income	-	-	-	(172)	-	-	-	(172)	1	(171)
Income and expenses recognized directly through equity	-	-	-	(6)	6	-	-	-	-	-
Total recognized income and expense	**-**	**-**	**-**	**(178)**	**6**	**-**	**-**	**(172)**	**1**	**(171)**
At 31 December 2009	**60,454,973**	**605**	**999**	**265**	**(78)**	**(407)**	**-**	**1,791**	**22**	**1,813**

20.3 Notes to the consolidated financial statements

A. HIGHLIGHTS

1. Main restructuring plans

The accounting impacts are presented in the "Other income and expenses" caption (see note C4).

In May 2009, ARKEMA announced a restructuring plan at its American subsidiary Arkema Inc. to respond to the current economic context and reinforce the long-term competitiveness of the Group's North American operations. The reorganization will involve job losses, a significant reduction in the entity's overheads and optimization of its organizational structure.

In June 2009, ARKEMA announced a planned reorganization of its European MMA/PMMA business. The plan involves ending production of MMA (methyl methacrylate) at the Group's Carling facility in France from December, and reducing its level of activity at the PMMA Bernouville facility in France.

2. Fines related to past anti-trust practices

In November 2009, the European Commission sentenced Arkema France and its former parent company Elf Aquitaine to pay a fine of a total amount of €28.6 million relating to past anti-trust practices (prior to 2000) in the heat stabilizers market. This fine does not have an impact on ARKEMA's results considering both the provisions already booked and the warranty mechanism agreed with Total on the occasion of the spin off.

B. ACCOUNTING POLICIES

ARKEMA is a global chemicals player, with three business segments: Vinyl Products, Industrial Chemicals and Performance Products.

Arkema S.A. is a French limited liability company (*société anonyme*) with a Board of Directors, subject to the provisions of book II of the French Commercial Code and all other legal provisions applicable to French commercial companies.

The company's head office is at 420 rue d'Estiennes d'Orves, 92700 Colombes (France). It was incorporated on 31 January 2003 and the shares of Arkema S.A. have been listed on the Paris stock market (Euronext) since 18 May 2006.

The consolidated financial statements of ARKEMA at 31 December 2009 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 3 March 2010. They will be submitted to the approval of the shareholders' general meeting of 1 June 2010.

The consolidated financial statements at 31 December 2009 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 31 December 2009 and the international standards endorsed by the European Union at 31 December 2009.

The accounting framework and standards adopted by the European Commission can be consulted on the following internet site: http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

The accounting policies applied in preparing the consolidated financial statements at 31 December 2009 are identical to those used in the consolidated financial statements at 31 December 2008, 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 2009 (and which had not been applied early by the Group), namely:

Standards	Title
Amendments to IAS 32 & IAS 1	Puttable financial instruments at fair value and obligations arising on liquidation
Amendments to IFRS 1 & IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate
Amendment to IFRS 2	Share-based payment - vesting conditions and cancellations
Amendment to IFRS 7	Improving disclosures about financial instruments
IAS 1(Revised)	Presentation of financial statements
IAS 23 (Revised) *	Borrowing costs
IFRIC 13	Customer loyalty programmes
IFRS 8 **	Operating segments
Concurrent amendments to IAS 39 / IFRIC 9	Embedded derivatives
	Annual improvements to IFRS (published in May 2008) except for the amendments to IFRS 5 and IFRS 1

* *The Group has made use of the transitional provisions of IAS 23 (Revised), "Borrowing Costs", by incorporating borrowing costs to qualifying assets for which the commencement date for capitalization was on or after 1 January 2009.*

** *The application of IFRS 8 has not involved the Group in modifying the information previously communicated (see note B13, "Information by segment").*

The application of these standards and amendments did not have any significant impact on the Group's consolidated financial statements.

The impact of the other standards, amendments or interpretations published by the IASB and the IFRIC (International Financial Reporting Interpretations Committee) which are not yet in force at 1 January 2009 and have not been applied early by the Group, is currently being analyzed. The following texts are involved:

Amendment to IAS 39	Eligible hedged items	Adopted - Applicable for accounting periods commencing on or after 30 June 2009
IAS 27 (Revised)	Consolidated and separate financial statements	Adopted - Applicable for accounting periods commencing on or after 30 June 2009
IFRIC 12	Service concession arrangements	Adopted - Applicable for accounting periods commencing on or after 29 March 2009
IFRIC 15	Agreements for the construction of real estate	Adopted - Applicable for accounting periods commencing on or after 31 December 2009
IFRIC 16	Hedges of a net investment in a foreign operation	Adopted - Applicable for accounting periods commencing on or after 30 June 2009
IFRIC 17	Distributions of non-cash assets to owners	Adopted - Applicable for accounting periods commencing on or after 31 October 2009
IFRIC 18	Transfers of assets from customers	Adopted - Applicable for accounting periods commencing on or after 31 October 2009
IFRS 3 (Revised)	Business combinations	Adopted - Applicable for accounting periods commencing on or after 30 June 2009
IFRS 9	Financial instruments	Not adopted by the EU at 31 December 2009
Amendments to IAS 32	Classification of rights issues	Adopted - Applicable for accounting periods commencing on or after 31 January 2010
Amendments to IFRS 1	Additional exemptions for first-time adopters	Not adopted by the EU at 31 December 2009
Amendments to IFRS 2	Group cash-settled share-based payment transactions	Not adopted by the EU at 31 December 2009
IFRS 1 (Revised)	First-time adoption of IFRS	Adopted - Applicable for accounting periods commencing on or after 31 December 2009
IAS 24 (Revised)	Related party disclosures	Not adopted by the EU at 31 December 2009
IFRIC 19	Extinguishing financial liabilities with equity instruments	Not adopted by the EU at 31 December 2009
Amendments to IFRIC 14	Prepayments of a minimum funding requirement	Not adopted by the EU at 31 December 2009
	Annual improvements to IFRS (published in May 2008) - amendments to IFRS 5 and IFRS 1	Adopted - Applicable for accounting periods commencing on or after 30 June 2009
	Annual improvements to IFRS (published in April 2009)	Not adopted by the EU at 31 December 2009

IFRIC 12, "service concession arrangements" and IFRIC 15, "Agreements for the construction of real estate", are not expected to have any impact on the Group's consolidated financial statements.

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 the calculation of depreciation and impairment, pension benefit obligations, deferred taxes and provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

The consolidated financial statements are prepared in accordance with the historical cost convention, except for certain financial assets and liabilities which are recognized at fair value.

The consolidated financial statements are presented in millions of euros, rounded to the nearest million, unless otherwise indicated.

The principal accounting policies applied by the Group are presented below.

1. Consolidation principles

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method.
- Investments in associates over which significant influence is exercised are consolidated under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.
- Shares owned in companies which do not meet the above criteria are included in other investments and recognised as available-for-sale financial assets in accordance with IAS 39.

All material transactions between consolidated companies, and all intercompany profits, have been eliminated.

2. Foreign currency translation

2.1 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The functional operating currency of foreign companies in the scope of consolidation is their local currency, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates at the end of the period; the statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from translation of the financial statements of these subsidiaries are recorded either in "Translation adjustments" in shareholders' equity in the consolidated financial statements for the Group share or in "Minority interests" for the minority share.

2.2 TRANSACTIONS IN FOREIGN CURRENCIES

In application of IAS 21 "The effects of changes in foreign exchange rates", transactions denominated in foreign currencies are translated by the entity carrying out the transaction into its functional currency at the exchange rate applicable on the transaction date. Monetary balance sheet items are restated at the closing exchange rate at the balance sheet date. Gains and losses resulting from translation are recognized in recurring operating income.

3. 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.

3.1 GOODWILL AND TRADEMARKS

Goodwill represents 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. Goodwill is not amortized, in accordance with IFRS 3 "Business combinations". 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 B5 - Impairment of long-lived assets.

Trademarks with indefinite useful lives are not amortized and are subject to impairment tests.

3.2 RESEARCH AND DEVELOPMENT EXPENSES

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.

3.3 RESEARCH TAX CREDIT

The Group recognizes the research tax credit as a deduction from operating expenses.

3.4 REACH

As no specific IFRIC 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 3.2).

4. Property, plant & equipment

4.1 GROSS VALUE

The gross value of items of property, plant and equipment corresponds to their acquisition or production cost in accordance with IAS 16 "Property, plant & equipment". Gross value is not subject to revaluation.

Equipment subsidies are deducted directly from the cost of the assets which they financed. With effect from 1 January 2009 and in accordance with the revised version of IAS 23, borrowing costs that are directly attributable to financing tangible assets that necessarily take a substantial period of time to get ready for their intended use or sale are eligible for capitalization as part of the cost of the assets for the portion of the cost incurred over the construction period.

Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance turnarounds of industrial facilities which take place at intervals of greater than 12 months are capitalized at the time they are incurred and depreciated over the period between two such turnarounds.

Fixed assets which are held under finance lease contracts, as defined in IAS 17 "Leases", which have the effect of transferring substantially all the risks and rewards inherent to ownership of the asset from the lessor to the lessee, are capitalized in assets at their market value or at the discounted value of future lease payments if lower (such assets are depreciated using the methods and useful lives described below). The corresponding lease obligation is recorded as a liability. Leases which do not meet the above definition of finance leases are accounted for as operating leases.

4.2 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.

5. 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.

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 B13. 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 2009, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2008). An after-tax rate of 7.5% is used to discount future cash flows and the terminal value in 2009, as in 2008. 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 2009 evaluating the impact of reasonable changes in the basic assumptions, and in particular the impact of a change of plus or minus 1% in the discount rate, have confirmed the carrying amounts of the different CGUs at 31 December 2009.

6. Financial assets and liabilities

Financial assets and liabilities are principally comprised of:

- 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.

6.1 OTHER INVESTMENTS

These instruments 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.

6.2 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.

6.3 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.

6.4 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.

6.5 NON-CURRENT AND CURRENT DEBT (INCLUDING ACCOUNTS PAYABLE)

Non-current and current debt (other than derivatives) is recognized at amortized cost.

6.6 DERIVATIVES

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the «Level 2» category defined in IFRS 7.

Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.

For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expense recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating income.

A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expense recognized directly through equity" caption.

7. 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.

8. Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party; and
- 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 C19 – 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.

Long-term provisions, other than provisions for pensions and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

The current (less than one year) portion of provisions is maintained within the "Provisions and other non-current liabilities" caption. Additional disclosure is provided in note C18 Provisions and other non-current liabilities.

9. Pension and similar post-employment benefit obligations

In accordance with IAS 19 "Employee benefits":

- payments made in the context of defined contribution plans are recognized in expenses of the period;
- obligations in respect of defined benefit plans are recognized and valued using the actuarial projected unit credit method.

POST-EMPLOYMENT BENEFITS

For defined benefit plans, the valuation of obligations under the projected unit credit method principally takes into account:

- an assumption concerning the date of retirement;
- a discount rate which depends on the geographical region and the duration of the obligations;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs;
- the most recent mortality statistics for the countries concerned.

Differences which arise between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) and between forecasts and outcomes of returns on plan assets are termed actuarial gains and losses.

The Group has opted to recognize actuarial gains and losses directly in shareholders' equity under the "Income and expense recognized directly through equity" caption, in accordance with the amendment to IAS 19 of December 2004.

On modification or creation of a plan, the portion of obligations which vest immediately as a result of past service is charged immediately to income; the portion of obligations which do not vest immediately is amortized over the remaining vesting period.

The amount of the provision takes account of the value of assets which are allocated to cover pension and other post-employment benefit obligations. The value of these assets is deducted from the provision for such benefit obligations.

A pension asset can be generated where a defined benefit plan is overfunded. The amount at which such an asset is recognized in the balance sheet may be subject to a ceiling, in application of paragraph 58 of IAS 19 and IFRIC 14.

OTHER LONG-TERM BENEFITS

In respect of other long-term benefits, and in accordance with applicable laws and regulations, provisions are recognized using a simplified method. Thus, if an actuarial valuation using the projected unit cost method is required, actuarial gains and losses and all past service costs are recognized immediately in the provision, with a double entry being recognized to the income statement.

The net expense related to pension benefit obligations and other employee benefit obligations is recognized in recurring operating income, with the exception of:

- the effect of curtailments or settlements of plans which are presented under the "Other income and expenses" caption in the case of substantial modifications to such plans;
- the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits, which are classified within the financial result caption.

At interim period ends, expenses relating to pensions and other long-term employee benefits are calculated using an extrapolation of the actuarial valuations performed at the previous year end. These valuations are modified if significant changes have occurred in market conditions since the previous year-end or in the case of settlements, curtailments or other material non-recurring events (see note C18.2, Provisions and other non-current liabilities/ Provisions).

10. Greenhouse gas emissions allowances (EUA) and certified emission reductions (CER)

In the absence of an IFRS standard or interpretation relating to accounting for CO_2 emissions allowances, the following treatment has been adopted:

- allowances allocated without payment of consideration are recognized for a nil value;
- transactions carried out in the market are recognized at the transaction amount.

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO_2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories, and sales are recorded at their net-of-tax value on delivery of the CERs.

11. 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.

12. Income taxes

12.1 CURRENT TAXES

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.

The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

The French Finance Act for 2010 has introduced the local tax named CET (*Contribution Economique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). Following an analysis of the methods for determining this contribution in the light of the positions of the IFRIC and France's National Accounting Council CNC (*Conseil National de la Comptabilité*), the Group considers that in this specific case, it meets the requirements to be treated as a current tax under IAS 12. The CVAE will therefore be classified under "income taxes" from 1 January 2010.

12.2 DEFERRED TAXES

The Group uses the liability method whereby deferred income 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.

13. Information by segment

As required by IFRS 8, "Operating Segments", segment information for the Group is presented in accordance with the business segments identified in the internal reports that are regularly reviewed by general management in order to allocate resources and assess financial performance.

The Group's activities are conducted through three business segments: Vinyl Products, Industrial Chemicals and Performance Products. The directors of the business segments report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by the standard, and are in regular contact with him for the purpose of discussing their segments' operating activity, financial results, forecasts and plans.

- Vinyl Products includes the following business units: Chlorine/Caustic Soda, PVC, Vinyl Compounds and downstream converting (Pipes and Profiles). They are used in areas such as water treatment, healthcare, hygiene, electronics, sports and leisure and automobile equipment.
- Industrial Chemicals brings together the following business units: Acrylics, Specialty Acrylic Polymers, PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide. These intermediates are used as raw materials in numerous industrial sectors such as refrigeration, insulation, production of paper pulp, textiles, pharmaceuticals, animal feed, ink and paint, electronics and the automobile sector.
- Performance Products groups the following business units: Technical Polymers, Specialty Chemicals and Functional Additives. Performance Products are used in a variety of sectors from transport to sporting equipment, cosmetics to medical equipment, construction, civil engineering and even household electrical goods.

Functional and financial activities which cannot be directly allocated to operational activities (notably certain research costs and central costs) are brought together under a Corporate section.

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.

Changes in short-term borrowings and bank overdrafts are included in cash flows from financing activities.

15. Share-based payments

In application of IFRS2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that granted the stock options and free shares.

The fair value of the options is calculated using the Black & Scholes model. It 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. It is recognized 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. Business combinations

The Group uses the purchase accounting method for the recognition of all business combinations entering into the scope of IFRS 3. The cost of a business combination corresponds to the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. Expenses incurred for acquisitions not yet finalised at 31 December 2009 were included in other receivables at 31 December 2009. They will be transferred to expenses in 2010 in accordance with revised IFRS 3. The Group recognizes, at the acquisition date, the identifiable assets of the acquiree, together with the identifiable liabilities and contingent liabilities assumed, at fair value. The goodwill determined on an acquisition is recognized as an asset and is initially valued at the excess of the acquisition cost over the acquirer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Negative goodwill is recognized immediately in the income statement.

Where the business combination agreement provides for a purchase price adjustment depending on future events, the Group includes the amount of this adjustment in the cost of the business combination at the acquisition date if the adjustment is probable and can be measured reliably.

The Group has a period of twelve months from the acquisition date to finalize the initial accounting of assets' and liabilities' fair value and the goodwill allocation.

18. Discontinued operations and non-current assets held for sale

A discontinued operation is defined, according to IFRS 5, as a component of the Group's activity that either has been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations that forms part of a single coordinated disposal plan.

The income statement, cash flow statement and balance sheet items relating to discontinued operations are presented in a specific note to the financial statements for the current financial year, with comparatives for the previous year.

The Group presents, for the financial year in question, assets and liabilities of continuing operations in the standard manner, to which assets and liabilities of discontinued operations and non-current assets held for sale are added. These assets and liabilities are not offset but are rather presented respectively in two specific balance sheet captions. The balance sheet of the previous financial year is not modified.

The Group presents, for the financial year in question and the previous financial year, the income statement of continuing operations in the standard manner, to which a single amount representing the income or loss after tax of discontinued operations is added.

For the two financial years considered, the Group presents the cash flow statement without distinguishing between continuing operations and discontinued operations. Disclosures regarding the cash flows of discontinued operations are nevertheless provided in a specific note to the financial statements.

19. Main accounting and financial indicators

The main performance indicators used are as follows:

- **operating income**: this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;
- **other income and expenses**: these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets,
  - certain 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),
  - certain 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;
- **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

Operating income and assets are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

31 December 2009 *(In millions of euros)*	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group Total
Non-Group sales	**1,005**	**2,109**	**1,318**	**12**	**4,444**
Inter segment sales	39	95	12	-	
Total sales	**1,044**	**2,204**	**1,330**	**12**	
Recurring operating income	**(80)**	**177**	**11**	**(68) ***	**40**
Other income and expenses	(9)	(85)	(1)	(14)	(109)
Operating income	**(89)**	**92**	**10**	**(82)**	**(69)**
Equity in income of affiliates	12	-	1	-	13
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(49)	(129)	(91)	(1)	(270)
Asset impairment charges	-	(28)	(1)	-	(29)
Provisions	26	(30)	14	70	80
EBITDA	**(31)**	**306**	**102**	**(67)**	**310**
Employees at year end	**3,390**	**5,331**	**4,926**	**-**	**13,647**
Intangible assets and property, plant and equipment, net	364	1,107	596	22	2,089
Investments in equity affiliates	54	-	5	-	59
Non-current assets (excluding deferred income tax assets)	6	17	27	59	109
Working capital	169	328	273	(50)	720
Capital employed	**593**	**1,452**	**901**	**31**	**2,977**
Provisions	(190)	(212)	(189)	(165)	(756)
Deferred tax assets	-	-	-	21	21
Deferred tax liabilities	-	-	-	(53)	(53)
Net debt	-	-	-	341	341
Intangible assets and property, plant, and equipment additions	49	127	121	4	301
Of which additions of an exceptional nature	1	10	28	-	39

* *Of which inventories impacts not related to business segments, linked to a decrease in raw material prices and the lower quantities in stock.*

31 December 2008 *(In millions of euros)*	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group Total
Non-Group sales	**1,443**	**2,582**	**1,602**	**6**	**5,633**
Inter segment sales	64	151	16	-	
Total sales	**1,507**	**2,733**	**1,618**	**6**	
Recurring operating income	**(25)**	**218**	**92**	**(35)**	**250**
Other income and expenses	(36)	(9)	(2)	(6)	(53)
Operating income	**(61)**	**209**	**90**	**(41)**	**197**
Equity in income of affiliates	7	-	1	-	8
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(39)	(123)	(85)	(1)	(248)
Asset impairment charges	-	(2)	-	-	(2)
Provisions	(11)	29	22	13	53
EBITDA	**14**	**341**	**177**	**(34)**	**498**
Employees at year end	**3,982**	**5,797**	**5,009**	**-**	**14,788**
Intangible assets and property, plant and equipment, net	370	1,145	567	21	2,103
Investments in equity affiliates	48	-	5	-	53
Non-current assets (excluding deferred income tax assets)	10	23	34	92	159
Working capital	238	438	409	(30)	1,055
Capital employed	**666**	**1,606**	**1,015**	**83**	**3,370**
Provisions	(204)	(182)	(196)	(219)	(801)
Gross deferred tax assets	-	-	-	25	25
Deferred tax liabilities	-	-	-	(47)	(47)
Net debt	-	-	-	495	495
Intangible assets and property, plant, and equipment additions	98	146	86	5	335
Of which additions of an exceptional nature	19	15	-	-	34

Note 2 Information by geographical area

Non-Group sales are presented on the basis of the geographical location of customers. Capital employed is presented on the basis of the location of the assets.

31 December 2009 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	757	1,631	1,064	798	194	4,444
Capital employed	1,709	292	705	266	5	2,977
Intangible assets and property, plant, and equipment additions	170	13	67	51	-	301
Employees at year end	8,463	1,932	2,032	1,136	84	13,647

31 December 2008 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	1,017	2,267	1,238	876 *	235 *	5,633
Capital employed	1,954	376	767	269 *	4 *	3,370
Intangible assets and property, plant, and equipment additions	208	28	58	41	-	335
Employees at year end	8,955	2,158	2,266	1,321	88	14,788

(1) NAFTA: United States, Canada, Mexico.

** With effect from 2009, sales to the Middle East and capital employed for the Middle East area are reclassified from the "Rest of the world" to "Asia". The comparative data at 31 December 2008 has been restated (Sales: reclassification of €88 million from the "Rest of the world" to "Asia"; capital employed: reclassification of €38 million from the "Rest of the world" to "Asia").*

Note 3 Research and development expenses

Research and development expenses include salaries, purchases, sub-contracting costs, depreciation and amortization.

Note 4 Other income and expenses

	2009			2008		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(102)	11	(91)	(100)	37	(63)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	(2)	-	(2)	(2)	-	(2)
Litigation and claims	(21)	9	(12)	(12)	-	(12)
Gains (losses) on sales of assets	-	3	3	-	23	23
Other	(7)	-	(7)	-	1	1
TOTAL OTHER INCOME AND EXPENSES	**(132)**	**23**	**(109)**	**(114)**	**61**	**(53)**

In 2009, restructuring charges (including related asset impairment) and environmental charges mainly concern restructuring expenses (net of reversals) for the Vinyl Products segment (€2 million), Industrial Chemicals segment (€79 million), Performance Products segment (€4 million) and Corporate segment (€6 million) (see A, Highlights).

Net expenses relating to litigation and claims mainly correspond to the consequences of events arising in 2008 and 2009, as well as costs of antitrust proceedings and litigation.

Other expenses recorded in the year relate to the consequences of the asbestos classification of the Jarrie plant in France.

In 2008, net restructuring and environmental charges amounted to €63 million, of which €59 million relates to restructuring plans announced during the year, mainly in the Vinyl Products segment (€42 million) and the Corporate segment (€13 million).

Expenses relating to litigation and claims mainly corresponded to the consequences of hurricane Ike which hit Texas (USA), as well as to costs of antitrust proceedings and litigation.

The gains on sale of assets notably related to sales of real estate assets in France, including in particular the sale of the R&D center in Levallois (France).

Note 5 Financial result

Financial result includes (i) the cost of debt adjusted for capitalised financial expenses, (ii) as regards provisions for employee benefits, the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits and (iii) the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate.

(In millions of euros)	2009	2008
Cost of debt	(11)	(25)
Financial income/expenses on provisions for employee benefits	(17)	(8)
Foreign exchange gains and losses (spot/forward exchange rate difference)	(1)	(2)
Capitalised interest	1	-
Other	-	-
FINANCIAL RESULT	**(28)**	**(35)**

The average interest rate for the year was approximately 2.2% (4.5% for 2008).

Note 6 Adjusted net income

Net income – Group share may be reconciled to adjusted net income as follows:

(In millions of euros)	Notes	2009	2008
NET INCOME – GROUP SHARE		**(172)**	**100**
Other income and expenses	(C4)	109	53
Taxes on other income and expenses		-	(7)
Exceptional taxation		14	-
Discontinued operations		-	-
ADJUSTED NET INCOME		**(49)**	**146**

Exceptional taxation concerns deferred tax liabilities in respect of the CVAE contribution (see note B12 Income taxes).

Note 7 Income taxes

7.1 Income tax expense

The income tax expense is broken down as follows:

(In millions of euros)	2009	2008
Current income taxes	(71)	(55)
Deferred income taxes	(16)	(14)
TOTAL INCOME TAXES	**(87)**	**(69)**

The income tax expense amounts to €87 million for 2009, compared with €69 million for 2008.

In 2009, the income tax expense includes deferred tax liabilities recognised in respect of the CVAE contribution, amounting to €14 million (see note B12 Income taxes).

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)	31.12.2008	Changes recognized in the income statement	Changes recognized in shareholders' equity	Changes in scope	Translation adjustments	31.12.2009
Tax loss and tax credit carryforwards	1	-	-	-	-	1
Provisions for pensions and similar benefits	94	-	-	-	(1)	93
Other temporarily non-deductible provisions	233	(13)	3	-	(1)	222
Deferred tax assets	**328**	**(13)**	**3**	**-**	**(2)**	**316**
Valuation allowance on deferred tax assets	**(119)**	**19**	**(5)**	**-**	**-**	**(105)**
Excess tax over book depreciation	152	13	(7)	-	(2)	156
Other temporary tax deductions	79	9	-	-	(1)	87
Deferred tax liabilities	**231**	**22**	**(7)**	**-**	**(3)**	**243**
NET DEFERRED TAX ASSETS (LIABILITIES)	**(22)**	**(16)**	**5**	**-**	**1**	**(32)**

After offset of assets and liabilities at fiscal entity level, deferred taxes are presented as follows in the balance sheet:

(In millions of euros)	31.12.2009	31.12.2008
Deferred tax assets	21	25
Deferred tax liabilities	53	47
NET DEFERRED TAX ASSETS (LIABILITIES)	**(32)**	**(22)**

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)	31.12.2009	31.12.2008
Net income	(171)	101
Income taxes	(87)	(69)
Pre-tax income	(84)	170
French corporate tax rate	34.43%	34.43%
Theoretical tax expense	29	(58)
Difference between French and foreign income tax rates	(4)	(3)
Tax effect of equity in income of affiliates	4	3
Permanent differences	(38)	4
Change in valuation allowance against deferred tax assets	19	33
Deferred tax assets not recognized (losses)	(97)	(48)
INCOME TAX EXPENSE	**(87)**	**(69)**

The French corporate tax rate includes the standard tax rate (33.33%) and additional taxes applicable in 2008 and 2009, which bring the overall income tax rate to 34.43%.

7.4 Expiry of tax loss carryforwards and tax credits

The Group has tax loss carryforwards and tax credits which can be used up to their year of expiry indicated in the table below:

	31.12.2009		31.12.2008	
(In millions of euros)	Base	Income taxes	Base	Income taxes
2009	-	-	2	-
2010	8	2	10	3
2011	3	1	3	1
2012	1	-	3	1
2013	14	4	12	3
2014 and beyond	51	15	36	11
Tax losses that can be carried forward indefinitely	934	319	669	229
TOTAL	**1,011**	**341**	**735**	**248**
Carry back deductible	-	-	-	1

NB: Tax loss carryforwards and tax credits have not given rise to recognition of deferred tax assets in the balance sheet.

Note 8 Earnings per share

	2009	2008
Weighted average number of ordinary shares	60,436,493	60,508,713
Dilutive effect of stock options	-	43,729
Dilutive effect of free share grants	18,480	8,539
Weighted average number of potential ordinary shares	60,454,973	60,560,981

Earnings per share and diluted earnings per share are presented below:

(In euros)	2009	2008
Earnings per share	(2.85)	1.65
Diluted earnings per share	(2.85)	1.65
Adjusted net income per share	(0.81)	2.41
Diluted adjusted net income per share	(0.81)	2.41

Note 9 Intangible assets

(In millions of euros)	Goodwill	Other intangible assets	Total
Gross value			
At 1 January 2009	**673**	**563**	**1,236**
Acquisitions	9	36	45
Disposals	-	(4)	(4)
Changes in scope	1	(1)	-
Translation adjustments	(15)	(2)	(17)
Reclassifications	-	(2)	(2)
At 31 December 2009	**668**	**590**	**1,258**
Accumulated amortization and impairment			
At 1 January 2009	**(406)**	**(364)**	**(770)**
Amortization and impairment	-	(25)	(25)
Disposals	-	3	3
Changes in scope	1	1	2
Translation adjustments	12	1	13
Reclassifications	-	-	-
At 31 December 2009	**(393)**	**(384)**	**(777)**
Net value			
At 1 January 2009	***267***	***199***	***466***
At 31 December 2009	***275***	***206***	***481***

In 2009, the group did not recognize any impairment on its intangible assets.

The increase in goodwill in 2009 corresponds principally to the effect of the acquisition of the assets of Geo Speciality Chemicals.

(In millions of euros)	Goodwill	Other intangible assets	Total
Gross value			
At 1 January 2008	**647**	**558**	**1,205**
Acquisitions	-	23	23
Disposals	-	(2)	(2)
Changes in scope	10	-	10
Translation adjustments	24	4	28
Reclassifications	(8)	(20)	(28)
At 31 December 2008	**673**	**563**	**1,236**
Accumulated amortization and impairment			
At 1 January 2008	**(395)**	**(350)**	**(745)**
Amortization and impairment	-	(22)	(22)
Disposals	-	1	1
Changes in scope	-	-	-
Translation adjustments	(20)	(2)	(22)
Reclassifications	9	9	18
At 31 December 2008	**(406)**	**(364)**	**(770)**
Net value			
At 1 January 2008	***252***	***208***	***460***
At 31 December 2008	***267***	***199***	***466***

In 2008, the group did not recognize any impairment on its intangible assets.

The increase in goodwill in 2008 corresponded to the effect of the acquisition of the assets of Arkema Gas Odorant LLC and of the acquisition of Oxford Performance Materials Inc. for €10 million.

The reclassifications notably relate to a transfer from the "Intangible assets" caption to the "Property, plant & equipment" caption.

Note 10 Property, plant & equipment

(In millions of euros)	Land and buildings	Complex industrial facilities	Other property, plant and equipment	Construction in progress	Total
Gross value					
At 1 January 2009	**1,299**	**2,991**	**1,923**	**232**	**6,445**
Acquisitions	10	47	11	188	256
Disposals	(15)	(25)	(54)	-	(94)
Changes in scope	(3)	(12)	7	3	(5)
Translation adjustments	2	(34)	(3)	(3)	(38)
Reclassifications	45	33	159	(235)	2
At 31 December 2009	**1,338**	**3,000**	**2,043**	**185**	**6,566**
Accumulated depreciation and impairment					
At 1 January 2009	**(912)**	**(2,399)**	**(1,490)**	**(6)**	**(4,807)**
Depreciation and impairment	(40)	(121)	(109)	(4)	(274)
Disposals	11	25	52	-	88
Changes in scope	3	11	(4)	-	10
Translation adjustments	(2)	24	2	-	24
Reclassifications	(8)	-	6	3	1
At 31 December 2009	**(948)**	**(2,460)**	**(1,543)**	**(7)**	**(4,958)**
Net value					
At 1 January 2009	***387***	***592***	***433***	***226***	***1,638***
At 31 December 2009	***390***	***540***	***500***	***178***	***1,608***

At 31 December 2009, other property, plant and equipment mainly comprises machinery and tools with a gross value of €1,496 million and accumulated depreciation and provisions for impairment of €1,156 million.

ARKEMA recorded impairment losses of €33 million on assets, principally relating to restructuring plans.

(In millions of euros)	Land and buildings	Complex industrial facilities	Other property, plant and equipment	Construction in progress	Total
Gross value					
31 December 2007	1,273	2,948	1,666	225	6,112
Reclassification *	-	-	11	3	14
At 1 January 2008 after reclassification	**1,273**	**2,948**	**1,677**	**228**	**6,126**
Acquisitions	12	52	19	225	308
Disposals	(21)	(37)	(44)	-	(102)
Changes in scope	12	15	2	-	29
Translation adjustments	-	58	6	4	68
Reclassifications	23	(45)	263	(225)	16
At 31 December 2008	**1,299**	**2,991**	**1,923**	**232**	**6,445**
Accumulated depreciation and impairment					
31 December 2007	(889)	(2,371)	(1,326)	(1)	(4,587)
Reclassification *	-	-	(11)	(3)	(14)
At 1 January 2008 after reclassification	**(889)**	**(2,371)**	**(1,337)**	**(4)**	**(4,601)**
Depreciation and impairment	(37)	(107)	(99)	(2)	(245)
Disposals	19	37	43	-	99
Changes in scope	(5)	(12)	(2)	-	(19)
Translation adjustments	1	(40)	(4)	-	(43)
Reclassifications	(1)	94	(91)	-	2
At 31 December 2008	**(912)**	**(2,399)**	**(1,490)**	**(6)**	**(4,807)**
Net value					
At 1 January 2008	***384***	***577***	***340***	***224***	***1,525***
At 31 December 2008	***387***	***592***	***433***	***226***	***1,638***

* *Values at 1 January 2008 included a reclassification of €14 million from gross property, plant and equipment to depreciation of property, plant and equipment.*

At 31 December 2008, other property, plant and equipment mainly comprised machinery and tools with a gross value of €1,387 million and accumulated depreciation and provisions for impairment of €1,113 million.

ARKEMA recorded asset impairment of €21 million in the context of restructuring, disposals and damages.

The figures above include the following amounts in respect of assets held under finance lease arrangements:

	31.12.2009			31.12.2008		
(In millions of euros)	Gross value	Depreciation and impairment	Net	Gross value	Depreciation and impairment	Net
Complex industrial facilities and buildings	37	27	10	35	26	9

They mainly correspond to leases of transport barges, a hydrogen production unit located at Lacq and a production unit at Carling.

Note 11 Equity affiliates

	% ownership		Equity value		Equity in income (loss)		Sales	
(In millions of euros)	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008	31.12.2009	31.12.2008
Qatar Vinyl Company Ltd Q.S.C.	13%	13%	39	38	7	7	26	38
Vinilis	35%	35%	15	10	5	-	21	21
Arkema Yoshitomi Ltd	49%	49%	5	5	1	1	7	7
Investments			**59**	**53**	**13**	**8**	**-**	**-**
Loans			**-**	**0**	**-**	**-**	**-**	**-**
TOTAL			**59**	**53**	**13**	**8**	**54**	**66**

Note 12 Other investments

Other investments include the Group's investments in various non-listed companies, notably companies that distribute ARKEMA products. They are primarily stated at historical cost.

The main movements in 2008 and 2009 are as follows:

(In millions of euros)	2009	2008
At 1 January	**22**	**24**
Acquisitions	-	1
Disposals	(4)	(2)
Valuation allowance	1	(1)
Changes in scope	-	-
Translation adjustments	-	-
Other changes	2	-
At 31 December	**21**	**22**

Note 13 Other non-current assets

	31.12.2009			31.12.2008		
(In millions of euros)	Gross value	Impairment	Net	Gross value	Impairment	Net
Loans and advances	85	(6)	79	132	(7)	125
Security deposits paid	9	-	9	12	-	12
TOTAL	**94**	**(6)**	**88**	**144**	**(7)**	**137**

Loans and advances include amounts receivable from the French tax authorities in respect of the research tax credit. As an exceptional measure, the amended French Finance Act for 2008 provided for repayment in 2009 of research tax credits related to 2008 and earlier years; at the end of 2009, this measure was renewed for one year. These amounts have however been maintained in other non-current assets.

Loans and advances include €37 million of receivables on Total related to the remediation costs in respect of closed industrial sites in the United States (see note C18.4 Provisions and other non-current liabilities / Provisions for environmental contingencies) and an amount of €3 million in respect of pension assets (see note C18.3 Provisions and other non-current liabilities / Provisions for pensions and similar benefits).

As the European Commission's ruling against ARKEMA in the most recent case was issued in 2009 (see note C19.2.1, Antitrust litigation), the €24 million of deposits made were transferred as payment and the related provisions have been reversed (see note C18.6 Other provisions).

Note 14 Inventories

(In millions of euros)	31.12.2009	31.12.2008
INVENTORIES (COST)	**820**	**1,126**
Opening valuation allowance	(100)	(77)
Net (allowance) reversal	17	(23)
Changes in scope	-	-
Translation adjustments	-	-
Reclassifications	-	-
CLOSING VALUATION ALLOWANCE	**(83)**	**(100)**
INVENTORIES (NET)	**737**	**1,026**
Of which:		
Raw materials and supplies	*242*	*326*
Finished products	*495*	*700*

Note 15 Accounts receivable, other receivables and prepaid expenses

At 31 December 2009, accounts receivable are stated net of a bad debt provision of €32 million (€35 million at 31 December 2008).

Other receivables and prepaid expenses notably include receivables from governments in an amount of €76 million (€87 million at 31 December 2008).

Details of accounts receivable net of valuation allowances are presented in note C21.4 Credit risk.

Note 16 Cash and cash equivalents

(In millions of euros)	31.12.2009	31.12.2008
Short-term cash advances	9	9
Monetary mutual funds	-	-
Available cash	80	58
CASH AND CASH EQUIVALENTS	**89**	**67**

Note 17 Shareholders' equity

At 1 January 2008, the share capital amounted to €604.5 million and was composed of 60,453,823 shares with a nominal value of 10 euros.

On 30 April 2008, the Group carried out a capital increase reserved to Group employees: 618,462 shares were subscribed at a price of €30.42 per share, with the price having been set by the Board of Directors in its meeting of 4 March 2008. Following this operation, Arkema S.A.'s share capital was increased to €610.7 million divided into 61,072,285 shares.

The shareholders' general meeting of 20 May 2008 adopted a resolution proposing to distribute a dividend of €0.75 per share, or a total amount of €46 million, in respect of the 2007 financial year.

During the second half of 2008, the company firstly carried out a capital increase of €1.4 million (or 141,105 shares) by incorporating reserves into share capital following the free share grant and, secondly, carried out a capital decrease of €7.6 million (or 759,567 shares) by cancelling a portion of the treasury shares purchased in the context of the share buyback program.

At 31 December 2008, the Group held 39,707 treasury shares accounted for as a deduction from shareholders' equity.

Following these operations, Arkema S.A.'s share capital was increased to €604.5 million divided into 60,454,973 shares.

During 2009, the company bought back 48,300 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 87,600 treasury shares to employees. The company therefore only holds 407 treasury shares at 31 December 2009.

The shareholders' general meeting of 15 June 2009 adopted a resolution proposing to distribute a dividend of €0.60 per share, or a total amount of €36 million, in respect of the 2008 financial year.

The Board of Directors decided, after approving the 2009 financial statements, to propose a resolution to the shareholders' general meeting of 1 June 2010 under which a dividend representing €0.60 per share would be distributed in respect of the 2009 financial year.

Note 18 Provisions and other non-current liabilities

18.1 Other non-current liabilities

Other non-current liabilities amount to €35 million at 31 December 2009 as against €34 million at 31 December 2008.

18.2 Provisions

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 1 January 2009	**341**	**206**	**109**	**145**	**801**
Increases in provisions	32	9	70	22	133
Reversals from provisions on use	(32)	(13)	(56)	(44)	(145)
Reversals of unused provisions	(4)	(2)	(12)	(11)	(29)
Changes in scope	1	-	-	-	1
Translation adjustments	(2)	(3)		(1)	(6)
Other *	1	-	-	-	1
Discontinued operations	-	-	-	-	-
At 31 December 2009	**337**	**197**	**111**	**111**	**756**
Of which less than one year		21	61	35	
Of which more than one year		176	50	76	

* *"Other" includes actuarial gains and losses for the period.*

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2009	**337**	**197**	**111**	**111**	**756**
Portion of provisions covered by receivables or deposits	**-**	**37**	**-**	**6**	**43**
Deferred tax asset related to amounts covered	-	21	-	4	25
Pension assets	**3**	**-**	**-**	**-**	**3**
Provisions at 31 December 2009 net of non-current assets	**334**	**139**	**111**	**101**	**685**

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 1 January 2008	**319**	**207**	**113**	**178**	**817**
Increases in provisions	26	6	66	12	110
Reversals from provisions on use	(29)	(15)	(52)	(17)	(113)
Reversals of unused provisions	(28)	(8)	(7)	(27)	(70)
Changes in scope	-	-	-	(3)	(3)
Translation adjustments	4	4	-	2	10
Other *	49	12	(11)	-	50
Discontinued operations	-	-	-	-	-
At 31 December 2008	**341**	**206**	**109**	**145**	**801**
Of which less than one year		23	64	19	
Of which more than one year		183	45	126	

* *"Other" includes actuarial gains and losses for the period and reclassifications from the restructuring provisions caption to the provisions for environmental contingencies caption.*

In addition, certain provisions were covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2008	**341**	**206**	**109**	**145**	**801**
Portion of provisions covered by receivables or deposits	**-**	**40**	**-**	**30**	**70**
Deferred tax asset related to amounts covered	-	23	-	4	27
Pension assets	**3**	**-**	**-**	**-**	**3**
Provisions at 31 December 2008 net of non-current assets	**338**	**143**	**109**	**111**	**701**

18.3 Provisions for pensions and similar benefits

At 31 December 2009, provisions for pensions and similar benefits are comprised of pension benefit obligations for €237 million (€236 million at 31 December 2008), healthcare plans for €53 million (€57 million at 31 December 2008), long service awards for €43 million (€43 million at 31 December 2008) and Group pre-retirement plans for €4 million (€5 million at 31 December 2008).

Furthermore, net pension assets of certain plans amount to €3 million at 31 December 2009 (€3 million at 31 December 2008) (see note C13 Other non-current assets).

A pension asset can be generated where a defined benefit plan is overfunded. The amount at which such an asset is recognized in the balance sheet may be subject to a ceiling, in application of paragraph 58 of IAS 19 and IFRIC 14. IFRIC 14 provides criteria for the assessment of the amount of the asset, which must be justified by either reimbursements or reductions in future plan contributions that can be recognized as a plan surplus in accordance with IAS 19. Application of IFRIC 14 did not cause the Group to put a ceiling on the amount of its pension assets at 31 December 2009.

In accordance with the laws and practices of each country, ARKEMA participates in employee benefit plans offering retirement, death and disability, healthcare and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the national bodies responsible for the payment of benefits.

These plans are either defined contribution plans or defined benefit plans. In certain cases they can be either partly or totally funded by investments in dedicated plan assets, mutual funds, general funds of insurance companies or other assets.

The Group's benefit obligations are mainly located in France, the United States, the Netherlands and Germany. The principal benefit obligations in respect of which funding has been put in place are pension benefits in France, the United States and the Netherlands. In France, supplementary pension plans closed up to 1973 at the latest, concerning an active working population, were subject to a transfer of pension rights to an insurance company.

The amounts relating to Group pre-retirement plans are not included in the schedules presented in paragraphs 18.3.1, 18.3.2 and 18.3.3. below.

The new measures contained in the agreement of 6 November 2009 with the Chemicals Industries Union (UIC – *Union des Industries Chimiques*) on employment of older people have been taken into consideration in valuing the obligation.

18.3.1 EFFECT ON THE INCOME STATEMENT

Expense in the income statement *(In millions of euros)*	Pension obligations		Other obligations	
	2009	**2008**	**2009**	**2008**
Service cost	11	13	3	3
Interest cost	27	25	4	6
Expected return on plan assets	(17)	(22)	-	-
Actuarial gains and losses recognized	-	-	1	(1)
Past service cost recognized	2	4	-	(15)
Curtailments and settlements	(4)	(1)	-	(5)
Other	-	-	-	-
(INCOME) / EXPENSE: TOTAL	**19**	**19**	**8**	**(12)**

The actual return on plan assets amounted to +€35 million in 2009 (-€57 million in 2008).

18.3.2 CHANGE IN NET PROVISIONS OVER THE PERIOD

(In millions of euros)	Pension obligations		Other obligations	
	2009	**2008**	**2009**	**2008**
Net liability / (asset) at beginning of year	**233**	**154**	**100**	**133**
Expense for the year	19	19	8	(12)
Contributions made to plan assets	(6)	(1)	-	-
Net benefits paid by the employer	(17)	(15)	(7)	(9)
Other	(1)	3	(1)	1
Actuarial gains and losses recognized in shareholders' equity	6	73	(4)	(13)
Net liability / (asset) at end of year	**234**	**233**	**96**	**100**

18.3.3 VALUATION OF BENEFIT OBLIGATIONS AND PROVISIONS AT 31 DECEMBER

a) Present value of benefit obligations

	Pension obligations		Other obligations	
(In millions of euros)	**2009**	**2008**	**2009**	**2008**
Present value of benefit obligations at beginning of year	**512**	**518**	**88**	**130**
Service cost	11	13	3	3
Interest cost	27	25	4	6
Curtailments	(4)	(1)	-	(5)
Settlements	(15)	(20)	-	-
Specific benefits	-	-	-	-
Plan participants' contributions	-	1	-	-
Benefits paid	(37)	(30)	(7)	(9)
Past service cost	10	4	1	(23)
Actuarial (gains) and losses	24	(6)	(3)	(14)
Changes in scope	1	-	-	-
Translation adjustment and other	(6)	8	(1)	-
Present value of benefit obligations at end of year	**523**	**512**	**85**	**88**

b) Change in fair value of plan assets

Plan assets are mainly located in the United States, France and the Netherlands. They are mainly comprised of mutual funds, general funds of insurance companies and shares.

	Pension obligations	
(In millions of euros)	**2009**	**2008**
Fair value of plan assets at beginning of year	**(278)**	**(363)**
Expected return on plan assets	(17)	(22)
Curtailments	-	-
Settlements	15	20
Plan participants' contributions	-	(1)
Employer contributions	(6)	(1)
Benefits paid from plan assets	20	15
Actuarial (gains) and losses	(18)	79
Changes in scope	-	-
Translation adjustment and other	4	(5)
Fair value of plan assets at end of year	**(280)**	**(278)**

Experience adjustments generated by the difference between the actual return on plan assets at 31 December 2009 and the expected return on plan assets amount to +€18 million. The actuarial gains mainly arise from the increase in the value of financial assets in the United States.

Contributions payable by the Group in 2010 in respect of funded plans are estimated at €2 million.

c) *Provisions in the balance sheet*

(In millions of euros)	Pension obligations 2009	Pension obligations 2008	Other obligations 2009	Other obligations 2008
Present value of unfunded obligations	161	148	85	88
Present value of funded obligations	362	364	-	-
Fair value of plan assets	(280)	(278)	-	-
(Surplus) / Deficit of assets versus benefit obligations	**243**	**234**	**85**	**88**
Unrecognized actuarial (gains) and losses	-	-	-	-
Unrecognized past service cost	(9)	(1)	11	12
Asset ceiling	-	-	-	-
Net balance sheet provision	**234**	**233**	**96**	**100**
Provision recognized in liabilities	237	236	96	100
Amount recognized in assets	(3)	(3)	-	-

Source of actuarial gains and losses generated on benefit obligations *(In millions of euros)*	Pension obligations 2009	Pension obligations 2008	Other obligations 2009	Other obligations 2008
Experience adjustments	(2)	(1)	(7)	(10)
Effects of changes in actuarial assumptions	26	(5)	4	(4)

d) *Pre-tax amount recognized through equity (SORIE) during the valuation period*

(In millions of euros)	Pension obligations 2009	Pension obligations 2008	Other obligations 2009	Other obligations 2008
Actuarial (gains) and losses generated in the period (A)	6	73	(4)	(13)
Effect of the surplus cap and the asset ceiling (B)	-	-	-	-
Total amount recognized in SORIE (A+B)	**6**	**73**	**(4)**	**(13)**
Cumulative actuarial (gains) and losses recognized in SORIE	**47**	**41**	**(30)**	**(26)**

e) *Composition of the investment portfolio*

	Pension obligations					
	At 31 December 2009			At 31 December 2008		
Composition of the investment portfolio	**France**	**Europe outside France**	**USA**	**France**	**Europe outside France**	**USA**
Shares	-	26%	55%	-	27%	57%
Bonds	100%	73%	23%	100%	71%	23%
Monetary funds	-	-	-	-	-	-
Property	-	1%	13%	-	1%	11%
Other	-	-	9%	-	1%	9%

f) Actuarial assumptions

MAIN ASSUMPTIONS FOR PENSION BENEFIT COMMITMENTS AND HEALTHCARE PLAN COMMITMENTS

	Europe	USA	Europe	USA
Main assumptions in %	2009	2009	2008	2008
Discount rate	5.00 – 5.40	5.60	5.40 – 6.35	6.20
Expected return on plan assets	3.39 – 6.42	7.45	3.39 – 7.00	7.49
Rate of increase in salaries	1.80 – 4.80	4.00	1.80 – 5.00	4.00
Rate of increase of healthcare costs	–	–	–	–

The discount rate is determined based on indexes covering bonds by AA-rated issuers, with maturities consistent with the duration of the above obligations.

The expected rate of return on plan assets was determined for each plan on the basis of the expected individual long-term return on each category of assets comprising the portfolio funding the plan and of the actual allocation at the valuation date.

The rate of increase of healthcare costs has no impact in the United States as a ceiling has been applied since mid-2006. In a similar way, since 2008, this rate has been limited to the rate of inflation in Europe during the period over which rights vest.

MAIN ASSUMPTIONS FOR LONG-SERVICE AWARDS

	Europe	Europe
Main long-service awards assumptions in %	2009	2008
Discount rate	4.30 – 5.50	5.00 – 5.50
Rate of increase in salaries	1.80 – 4.25	1.80 – 5.25

A change of plus or minus 0.25% in the discount rate has the following effects on the present value of benefit obligations at 31 December:

Pension obligations and other obligations	Europe	USA
(In millions of euros)	2009	2009
Increase of 0.25%	(10)	(6)
Decrease of 0.25%	10	6

18.4 Provisions for environmental contingencies

Provisions for environmental contingencies are recognized to cover expenses related to soil and water table clean-up, mainly:

- in France for €100 million (€103 million at 31 December 2008);
- in the United States for €76 million (€82 million at 31 December 2008), of which €58 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 €37 million and €21 million recognized in deferred tax assets).

18.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €101 million (€87 million at 31 December 2008), in Europe outside France for €5 million (€19 million at 31 December 2008) and in the United States for €4 million (€3 million at 31 December 2008).

Increases in such provisions in the year correspond to the restructuring plans described in note C4 Other income and expenses.

18.6 Other provisions

Other provisions are mainly comprised of provisions for removal of asbestos for €11 million (€12 million at 31 December 2008). Provisions for antitrust proceedings currently under way in Europe were reversed (€31 million at 31 December 2009).

Note 19 Contingent liabilities

19.1 Environment

ARKEMA's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of ARKEMA's liability being called upon, particularly in respect of clean-up of sites and industrial safety.

Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized, ARKEMA's management considers that the environmental liabilities identified at this point are valued and recognized to the best of their knowledge in the financial statements. However if laws, regulations or government policy in respect of environmental matters were to change, ARKEMA's obligations could change, which could lead to additional costs.

CLEAN-UP OF SITES

The competent authorities have made, are making or may in the future make specific demands that the Group rehabilitate or control emissions at certain sites that it is currently operating, or that it operated or disposed of in the past, at neighboring sites or at sites where the Group stored or disposed of waste.

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), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands), Saint-Auban (France) and Saint Fons (France), and could adversely affect the Group's business, results and financial condition.

As regards the site of Saint-Auban, different legal proceedings brought against Arkema France have been grouped together (merging of proceedings - "jonction de procédures») with the Nanterre correctional court. These proceedings are currently under preliminary investigation. Also, the Spinetta site (Italy - Arkema srl) is the subject of an administrative procedure.

Closed industrial sites (Former industrial sites)

Total has directly or indirectly taken over the closed industrial sites.

19.2 Litigation, claims and proceedings in progress

19.2.1 ANTITRUST LITIGATION

The Group is involved in a number of proceedings in the United States, Canada and Europe alleging violations of antitrust laws relating to cartel behavior.

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema's Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS (previously Arkema Finance France), the main terms of which are described in note C27 "Off-balance sheet commitments".

Based on its analysis of the cases, and taking into account the indemnities granted by Total S.A. and described in note C27 Off-balance sheet commitments, the Group recorded provisions in respect of these proceedings of €31 million (at 30 June 2009), of which €24 million were lodged as a deposit with the European Commission. After the recent fine imposed in late 2009, it was decided that the amounts paid to the European Commission and the future payment due in execution of the said fine (approximately €3 million) should be recognized as a loss, and that the entire provision of €31 million should be reversed (see note C18.6 Other provisions).

All the European Commission proceedings are currently under appeal by Arkema France before the European Union's General Court (formerly named the Court of First Instance of the European Communities) or the European Court of Justice.

Proceedings carried out by the European Commission

Arkema France currently remains a party to several proceedings being carried out by the European Commission alleging violations of the rules of EU competition law restricting anticompetitive agreements.

These cases are at different stages.

Following decisions in 2005, 2006 and 2008, the European Commission imposed the following fines on Arkema France (these fines were jointly and severally imposed, for part of their amounts, on Total S.A. and Elf Aquitaine):

- "Monochloroacetic acid" proceeding: €58.5 million;
- "Hydrogen peroxide" proceeding: €78.7 million;
- "Methacrylates" proceeding: €219.1 million;
- "Sodium chlorate" procedure: €59 million.

In 2009, the European Commission ordered Arkema France and its former parent company Elf Aquitaine to pay fines for anticompetitive practices of a total amount of €28.6 million in the context of the "heat stabilizers" case.

These decisions have been appealed to the European Union's General Court, and an appeal has also been filed before the European Court of Justice concerning the monochloroacetic acid (MCAA) case following the General Court's judgement issued on 30 September 2009. The corresponding proceedings are still in progress as of the date of these financial statements.

In addition to the proceedings carried out by the European Commission, it cannot be ruled out that civil suits for damages are filed by third parties claiming to be victims of the violations in relation to which fines have been imposed by the European Commission.

In May 2009, Arkema France was informed of a claim for compensation lodged with the Dortmund (Germany) Tribunal by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA, an entity formed for the specific purpose of bringing civil claims against the former members of the hydrogen peroxide cartel already condemned by the European Commission. To this end, CDC has purchased the rights to claim of a certain number of hydrogen peroxide customers in whose name it is thus now acting.

Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitively held against it by the competent jurisdiction after exercise of any recourse available, and so has not recognized any provisions in this respect.

Proceedings in the United States and Canada

The investigations initiated by the US DOJ into alleged antitrust violations, pursuant to which Arkema Inc. had received and responded to subpoenas, have been closed by these authorities, without Arkema Inc. being indicted or otherwise charged with wrongdoing. As of the date of these financial statements, Arkema has not been implicated in investigation by Canadian competition authorities with regard to alleged competition violations.

Arkema France and/or Arkema Inc. were named in civil suits claiming alleged violations of United States antitrust laws in the following sectors: plastic additives, hydrogen peroxide, methyl methacrylate (MMA) and polymethyl methacrylate (PMMA). Only civil suits relating to hydrogen peroxide are still underway in Canada.

A) US CIVIL ACTIONS

In 2008 and early 2009, the appeals court ruled that the trial courts erred when they granted class certification of direct purchaser classes in the hydrogen peroxide matter and in the plastics additives matter; the appeals court has remanded each of those cases back to the trial courts for further proceedings consistent with proper class certification standards. Following those appellate decisions, the trial court finally approved the settlement agreements that Arkema Inc. separately executed with the direct purchaser class in Hydrogen Peroxide and with the direct purchaser class of MMA/PMMA products. The issue of class certification in the plastics additives direct purchaser action remains pending before the trial court.

Several direct purchasers of hydrogen peroxide had also brought individual actions against Arkema Inc. and Arkema France, alleging violation of federal US antitrust laws. At the end of 2009, none of those individual claims against ARKEMA remains pending due to voluntary dismissals against ARKEMA.

Indirect purchasers of hydrogen peroxide, and of plastics additives, respectively, had brought putative class actions against Arkema Inc. alleging violation of state competition laws. As of the date of these financial statements, none of those classes has been certified. The putative state and federal class actions brought by indirect purchasers of MMA/PMMA have all been voluntarily dismissed.

B) CANADIAN CIVIL ACTIONS

In Canada, a number of civil actions alleging violations of Canadian competition laws concerning hydrogen peroxide products were filed in Quebec, Ontario and British Columbia in 2005 and 2006. As at the date of these financial statements, the trial court in Ontario has certified a class of direct and indirect purchasers. ARKEMA is appealing that decision.

19.2.2 OCCUPATIONAL ILLNESS

In the manufacture of its products, the Group uses and has used toxic or hazardous substances. Despite the safety and monitoring procedures that have been instituted at Group level and for each production site, Group employees may have been exposed to such substances and may develop specific pathologies as a result of such exposure.

In this respect, like most industrial companies, in the past, the Group has used a variety of insulating or heat-proofing materials containing asbestos in its production facilities. Consequently, certain employees may have been exposed to such materials before they were gradually eliminated and replaced with substitute products.

At its French sites, the Group anticipated the regulatory provisions applicable to asbestos (Decrees No. 96-97 and 96-98 of 7 February 1996 and Decree No. 96-1133 of 24 December 1996). The Group made an inventory of asbestos-containing building materials within its premises, notified employees of the results of these investigations and took the collective and individual protective measures required by the applicable laws. However, claims for occupational illness related to past asbestos exposure have been filed against the Group, mostly for periods before 1980. Given the latency period of asbestos-related pathologies, a large number of claims for occupational illness are likely to be filed in the years ahead.

The Group has recognized provisions to cover the risks of employer liability claims related to notified cases of occupational illness.

19.2.3 OTHER LITIGATION AND CLAIMS AND CONTINGENT LIABILITIES

Arkema France

In 1995, the company Gasco brought a claim for damages against Elf Atochem (the former name of Arkema France) before the court in Ghent (Belgium) in respect of an alleged breach of contract and breach of an exclusivity agreement. At first instance, Gasco obtained a judgment against Atofina for payment of €248,000 by way of damages for breach of contract (payment of that sum has been made) but its claim for breach of the exclusivity agreement was dismissed. Appeal proceedings have been pending before the Ghent Court of Appeal since 1999, and no developments have arisen since then. Having regard to the weak basis of the allegations made against it and the defenses available to the Group, the Group's view as the matter currently stands is that the amount of the provision made for this matter in the accounts is sufficient. No significant developments arose on this case in 2009.

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. However, the possibility that users might seek to attach liability to Arkema France as the supplier cannot be excluded. In the event that such claims were successful, the costs of replacement of the products and the damages that could be claimed could prove to be extremely high.

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 have 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. Following the authorities' rejection of Total's appeal at the end of 2008, Total initiated a case in the court of first instance against them, seeking the cancellation of the tax demand. Total's main argument is that the injections are not carried out in a context subject to Classified Facilities regulations and are thus not subject to the TGAP. However, the possibility cannot be fully ruled out that, at the end of the proceeding, Total may be required to pay all or part of the TGAP assessed, of which ARKEMA could be liable for a portion.

In 2005, 260 employees and former employees of the Pierre-Bénite site made a claim for damages with the Lyon employee claims court (*Conseils de prud'hommes*) for alleged non-compliance with the terms of the chemicals industry branch agreement over break times. The claimants consider that, given the manner in which work is organized and structured on this site, the break granted to them does not allow them to be released from all work and to be able to freely go about their personal affairs. The claim for compensation amounts to €5.2 million. Arkema France has contested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. A provision has been recognized in the financial statements for an amount that the Group considers adequate.

24 former employees of Arkema France who left the company under the early retirement system for asbestos workers brought proceedings before the employee claims court claiming compensation for losses of income caused by their departure under this system.

The conditions for departure under the early retirement system and the amount of the allocation received by beneficiaries - the subject of the current litigation - are defined by French law.

These proceedings follow rulings by the Paris and Bordeaux appeal courts awarding compensation to former employees of other companies who also left their jobs under the same system. The damages awarded varied, ranging up to the full amount of salary. These two judgements are currently under appeal at the labour chamber of the Court of Cassation, France's highest court of appeal.

For Arkema France, in the 24 cases currently in process, two former employees have so far received a favourable ruling by the Forbach employee claims court. Arkema France has appealed these decisions, and the rest are expected in the next few months.

It is not impossible that other former employees of Arkema France who benefited from the asbestos-related early retirement system may themselves start action for compensation before an employee claims court, particularly if the labour chamber of the Court of Cassation upholds the decisions made by the appeal courts as stated above.

The Court of Cassation's position is expected to be announced shortly, and consequently no provisions have been established at this date for these litigations.

In 2009, the Council of State cancelled the decision by the Lyon administrative court confirming the rulings against Arkema France, ordering the company to complete the pollution diagnosis for part of the Saint Fons site and propose preventive or remedial work. However, during proceedings before the Council of State, the Prefect of the Rhône region issued a new decision in 2007 still concerning the Saint Fons site, ordering Arkema France to carry out a quality monitoring on underground water and propose a pollution management plan.

Arkema France considers that this decision, which it has appealed, should also be ultimately cancelled. If not, the possibility that rehabilitation of the site affected by the pollution will finally be the responsibility of Arkema France cannot be ruled out, although Arkema France would still retain all the options for legal action against the third party who caused the pollution.

Arkema Srl

During 2009, following pollution by an industrial operator at the Spinetta site (Italy) affecting a landfill unused since 1995 located on the part of the land owned by Arkema Srl, Arkema Srl was ordered by the local authorities to supply information on the history of the landfill and monitor pollution affecting it.

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.

Given the circumstances, Arkema Srl considers it is still too early to accurately determine whether it could bear criminal liability, and the nature and scope of the potential liability of the managers or directors cited in the criminal investigation.

CECA

In 1999, the company Intradis commissioned the company Antéa to carry out a survey on a site situated in France which had been used for industrial purposes and in particular by CECA (manufacture of sulphuric acid) and the company Hydro Agri (a fertilizer factory which does not belong to the Group). The survey classified the site as in category 1 (a site requiring in-depth investigations and a detailed risk assessment). After receipt of the report by the expert appointed to determine the nature and extent of the pollution, Intradis applied to the Administrative Court to have the prefectoral order requiring it to take measures to protect the site overturned. Intradis appealed this decision to the Administrative appeal court of Douai. In a judgment dated 18 October 2007, the Court overturned the previous judgment, cancelled the prefectoral order and decided that there was no need to rule on Intradis' conclusions against CECA.

In the absence of a quantified claim, no provision has been made for this dispute in the accounts of the Group. No particular developments have arisen on this litigation since 2008. The judgment of the Administrative appeal court of Douai definitively closes the proceedings initiated by Intradis in the administrative court system. As of today, it is not possible to evaluate whether any other forms of appeal, notably through civil proceedings, may be initiated.

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.

Arkema Inc.

Norit Americas, Inc., (Norit) acquired an activated carbon production unit from Arkema Inc., located in Pryor (Oklahoma, United States). Norit later made a claim against Arkema Inc. for indemnity, alleging breach by Arkema Inc. of the provisions of the Clean Air Act on that site. In November 2009, the parties finalized a settlement agreement for all claims existing between them. Payment has been made and this matter is now concluded.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments arose in 2009 in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere. When they are not covered by insurance policies, provisions have been made for these proceedings in an amount which the Group considers sufficient.

However, due to the continuing uncertainties as to the outcome of these proceedings, the Group is not, as at the date of these financial statements, in a position, having regard to the information available to it, to estimate the total amount of the claims that might finally be upheld against it by the various competent courts after the exhaustion of any avenues of appeal.

Arkema Quimica Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Quimica Limitada, offset certain tax assets and liabilities commencing in 2000. The Brazilian government contests the justification for this offset and has claimed repayment of 19.5 million reais (around €7.8 million).

Arkema Quimica Limitada was initially required to provide a guarantee (in the form of a cash deposit and a pledge of other assets) for the current portion of the liability, and in parallel lodged a counter-claim via its lawyers in mid-June for cancellation of the tax administration's claim for that portion. In October and November 2009, Arkema Quimica Limitada applied to benefit from a new tax amnesty law that would allow it to pay only part of the overall liability. If the tax authorities give final consent to the terms for payment of the liability subject to amnesty, only an amount of 9.2 million reais or around €3.7 million would be concerned by an appeal before the courts, and ARKEMA considers it would have reasonable chances of winning such an appeal.

19.2.4 STATUTORY TRAINING ENTITLEMENT

The French Act of 4 May 2004 relating to professional training created a statutory training entitlement (DIF). Each employee has an entitlement to at least 20 hours' training per year (which can be accumulated over 6 years). Use of the statutory training entitlement is at the employee's initiative, in agreement with the employer.

ARKEMA's investment in training will represent, in 2010, approximately 3.5% of payroll costs (2.8% of DIF-eligible expenses and 0.7% of non-eligible expenses).

In ARKEMA, nearly 60% of training initiatives in the 2010 training plan will qualify for the statutory training entitlement and will therefore be systematically proposed as a priority to employees with a statutory training entitlement.

In addition, branch agreements in the chemicals industries have enabled priority training initiatives in respect of the statutory training entitlement to be defined and, in this context, part of the teaching costs can be taken as a charge by the employee benefit body responsible for the scheme's administration. In these conditions, implementing the statutory training entitlement does not result in any additional costs for ARKEMA.

Note 20 Debt

Group net debt amounted to €341 million at the end of December 2009, taking account of cash and cash equivalents of €89 million; it is mainly denominated in euros and bears interest at variable rates.

On 31 March 2006, the Group put in place a multi-currency syndicated credit facility in a maximum amount of €1,100 million, with an initial duration of five years, maturing on 31 March 2011. In February 2007, the credit facility was extended a first time until 31 March 2012, for an amount of €1,094 million. In February 2008, the credit facility was extended a second time until 31 March 2013, for an amount of €1,049 million.

The purpose of the credit facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes; the credit facility provides for prepayment in certain cases, including a change of control over ARKEMA; should this clause be triggered by a lender, it could lead to prepayment and cancellation of the commitments of such a lender and incorporates:

(i) information undertakings, including a representation pertaining to the continued validity and enforceability against the guarantors of the indemnities granted by Total S.A. and certain entities of Total as described in note C27 "Off-balance sheet commitments";

(ii) standard undertakings for this type of agreement, including, 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 debt. Depending on the case, such restrictions will not apply to ordinary operations or to transactions involving amounts below certain thresholds;

(iii) a financial undertaking: ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3.

At the end of December 2009, the average interest rate of the syndicated credit facility is approximately 1% (compared with 4.4% at 31 December 2008) and the unused amount under the credit facility is €785 million (compared with €690 million at 31 December 2008).

The Group has indicated its intention of maintaining a gearing ratio (net debt / shareholders' equity) of below 40%.

20.1 Analysis of net debt by category

(In millions of euros)	**31.12.2009**	**31.12.2008**
Finance lease obligations	14	16
Bank loans	43	28
Other non current debt	28	25
Non-current debt	**84**	**69**
Finance lease obligations	2	2
Syndicated credit facility *	315	410
Other bank loans	21	69
Other current debt	7	12
Current debt	**345**	**493**
Debt	**430**	**562**
Cash and cash equivalents	89	67
NET DEBT	**341**	**495**

* *Cf. 20.2.*

20.2 Analysis of debt by maturity

The breakdown of debt, including interest costs, by maturity is as follows:

(In millions of euros)	**31.12.2009**	**31.12.2008**
Less than 1 year *	349	497
Between 1 and 2 years	9	8
Between 2 and 3 years	29	8
Between 3 and 4 years	6	27
Between 4 and 5 years	6	3
More than 5 years	48	34
TOTAL	**447**	**577**

* *Amounts maturing in less than 1 year include the current drawings under the syndicated credit facility. Even though it matures in March 2013, this syndicated credit facility is classified in current debt as it is used in the form of revolving short-term drawings.*

20.3 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	31.12.2009	31.12.2008
Euros	354	491
US Dollars	17	20
Chinese Yuan	53	39
Korean Won	3	8
Other	3	4
TOTAL	**430**	**562**

Note 21 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 and energy), credit risk and liquidity risk.

21.1 Foreign currency risk

The Group is exposed to transaction risks related to foreign currencies.

The Group hedges its foreign currency risk mainly through spot foreign currency transactions or through forward transactions over short maturities, generally not exceeding 6 months.

The fair value of the Group's forward foreign currency contracts is an asset of €2 million.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2009 is a loss of €0.3 million (loss of €3 million at 31 December 2008).

The portion of foreign exchange gains and losses corresponding to interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result. It amounted to -€1 million at 31 December 2009 (-€2 million at 31 December 2008).

21.2 Interest rate risk

The Group obtains most of its financing through the variable rate syndicated credit facility of €1,100 million available to it. The general financing policy defined by the Group is to favor variable rate debt over fixed rate debt. 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 2009.

An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of increasing (decreasing) the interest expense on financial liabilities measured at amortized cost by €4 million.

21.3 Liquidity risk

The Group's central treasury department manages the liquidity risk related to the Group's 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.

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. The Group thus has a variable rate credit facility of a maximum amount of (i) €1,100 million up to 31 March 2011, (ii) €1,094 million up to 31 March 2012 and (iii) €1,049 million up to 31 March 2013 (described in note C20 Debt) with the purpose of covering all of the Group's financing needs and giving it sufficient flexibility to meet its obligations.

The Group's net debt at 31 December 2009 amounts to €341 million.

At 31 December 2009, the amount available under the syndicated credit facility is €785 million and the amount of cash and cash equivalents is €89 million.

The main circumstance in which early repayment or termination of the facility could occur is if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. At 31 December 2009, consolidated net debt represents 1.1 times consolidated EBITDA.

Note C20 Debt provides details of the maturities of debt.

21.4 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. 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 all of 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 BUs and the geographical regions in question.

At 31 December 2009, accounts receivable net of provisions are distributed as follows:

(In millions of euros)	**31.12.2009**
Accounts receivable net of provisions	**710**
Net receivables by maturity:	
Receivables not yet due	655
Receivables overdue by less than 30 days	43
Receivables overdue by 1 – 6 months	11
Receivables overdue by more than 6 months	1
TOTAL NET RECEIVABLES	**710**

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 C22, Presentation of financial assets and liabilities, represents the maximum exposure to credit risk.

21.5 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 cost of production of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its manufacturing processes, ARKEMA is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.

The effects of recognition in the income statement of these derivatives contain an expense of €2 million at 31 December 2009.

Note 22 Presentation of financial assets and liabilities

Financial assets and liabilities by accounting caption

2009 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C12)	-	-	-	21	21
Other non-current assets (loans and advances, security deposits paid)	(C13)	-	-	62	-	62
Accounts receivable	(C15)	-	-	710	-	710
Cash and cash equivalents	(C16)	-	-	89	-	89
Derivatives*	(C22)	3	1	-	-	4
FINANCIAL ASSETS		**3**	**1**	**861**	**21**	**886**
Current and non-current debt	(C20)	-	-	430	-	430
Accounts payable		-	-	603	-	603
Derivatives*	(C22)	1	1	-	-	2
FINANCIAL LIABILITIES		**1**	**1**	**1,033**	**-**	**1,035**

2008 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C12)	-	-	-	22	22
Other non-current assets (loans and advances, security deposits paid)	(C13)	-	-	92	-	92
Accounts receivable	(C15)	-	-	838	-	838
Cash and cash equivalents	(C16)	-	-	67	-	67
Derivatives *	(C22)	17	13	-	-	30
FINANCIAL ASSETS		**17**	**13**	**997**	**22**	**1,049**
Current and non-current debt	(C20)	-	-	562	-	562
Accounts payable		-	-	690	-	690
Derivatives *	(C22)	40	5	-	-	45
FINANCIAL LIABILITIES		**40**	**5**	**1,252**	**-**	**1,297**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

At 31 December 2009 as at 31 December 2008, the fair value of financial assets and liabilities is approximately equal to their net carrying amount.

Derivatives

The main derivatives used by the Group are as follows:

(In millions of euros)	Notional amount of contracts at 31.12.2009			Notional amount of contracts at 31.12.2008			Fair value of contracts	
	< 1 year	< 5 years and > 1 year	> 5 years	< 1 year	< 5 years and > 1 year	> 5 years	31.12.2009	31.12.2008
Forward foreign currency contracts	285	-	-	690	-	-	2	(8)
Commodities and energy swaps	23	-	-	84	-	-	-	(7)
TOTAL	**308**	**-**	**-**	**774**	**-**	**-**	**2**	**(15)**

Impact of financial instruments on the income statement

The income statement includes the following items related to financial assets (liabilities):

	2009	2008
Total interest income (expenses) on financial assets and liabilities *	(11)	(27)
Impact on the income statement of valuation of derivatives at fair value	26	(18)
Impact on the income statement of the ineffective portion of cash flow hedge instruments	0	0
Impact on the income statement of valuation of available for sale assets	3	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 2009 is a loss of €0.3. million (loss of €3 million in 2008). As the foreign currency denominated assets and liabilities of Group companies are hedged with their respective functional currencies, a change in exchange rates does not have a material impact of the income statement.

Impact of financial instruments on shareholders' equity

At 31 December 2008 shareholders' equity included the following items relating to cash flow hedges and hedges of net investments in foreign operations:

- expenses of €5 million recognized through equity in respect of cash flow hedges;
- income of €13 million recognized through equity in respect of hedges of net investments in foreign operations.

These hedges were terminated in 2009.

At 31 December 2009, the amounts recognized in the Group's shareholders' equity in this respect were not material.

Note 23 Other creditors and accrued liabilities

Other creditors and accrued liabilities are mainly comprised of employee-related liabilities for €145 million at 31 December 2009 (€155 million at 31 December 2008) and amounts owing to governments for €34 million at 31 December 2009 (€32 million at 31 December 2008).

Note 24 Personnel expenses

Personnel expenses, including stock options and free share grants (see note C26 Share-based payment), amount to €880 million in 2009 (€920 million in 2008).

They are comprised of €631 million of wages and salaries and IFRS 2 expenses (€663 million in 2008) and €249 million of social charges (€257 million in 2008).

Note 25 Related parties

25.1 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 consolidated under the equity method. These transactions mainly concern purchases of raw materials and interest charges on current accounts. The amounts of transactions with equity affiliates are presented in the table below. The corresponding transactions were carried out at market prices. The amounts of transactions with unconsolidated companies are not material.

	Equity accounted Affiliates	
(In millions of euros)	**31.12.2009**	**31.12.2008**
Transactions		
Sales of goods	-	-
Other income	10	5
Purchases of goods and services	(29)	(27)
Other expenses (including financial expenses)	-	-
Balance sheet amounts resulting from transactions		
Assets		
Accounts receivable	1	1
Financial receivables and other receivables	4	4
Liabilities		
Accounts payable	1	1
Debt and other creditors	-	-

25.2 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 Arkema Group are the directors and the members of its executive committee (COMEX).

There were no specific transactions with managers during the year, apart from the decision not to grant free shares as described in note C26.2.

The compensation recognized in expenses by ARKEMA is as follows:

(In millions of euros)	**2009**	**2008**
Salaries and other short-term benefits	3.3	4.3
Pensions, other post-employment benefits and contract termination benefits	0.9	0.7
Other long-term benefits	-	-
Share-based payments	1.1	2.3

Note 26 Share-based payments

26.1 Stock options

In the light of the current unprecedented economic context and following a proposal from its Chairman, Arkema's Board of Directors decided not to grant any stock options in 2009.

The main characteristics of the outstanding stock option plans at 31 December 2009 are as follows:

	2006 Plan	2007 Plan	2008 Plan	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	
Date of Board of Directors' meeting	4 July 06	14 May 07	13 May 08	
Vesting period	2 years	2 years	2 years	
Conservation period	4 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	
Number of options granted	**540,000**	**600,000**	**460,000**	**1,600,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	177,500
to the 10 largest beneficiaries *	181,000	217,000	169,350	567,350
Total number of options exercised	**1,150**	**-**	**-**	**1,150**
by corporate officers	-	-	-	-
by the 10 largest beneficiaries *	1,150	-	-	1,150
Number of options				
In circulation at 1 January 2008	536,000	600,000	-	1,136,000
Granted	-	-	460,000	460,000
Cancelled	-	7,800	-	7,800
Exercised	1,150	-	-	1,150
In circulation at 31 December 2008	**534,850**	**592,200**	**460,000**	**1,587,050**
In circulation at 1 January 2009	534,850	592,200	460,000	1,587,050
Granted	-	-	-	-
Cancelled	-	1,000	5,586	6,586
Exercised	-	-	-	-
In circulation at 31 December 2009	**534,850**	**591,200**	**454,414**	**1,580,464**

* *Employees who are not corporate officers of Arkema SA or any other Group company.*

VALUATION METHOD

The fair value of the options granted was determined using the Black & Scholes method on the basis of assumptions, of which the main ones are as follows:

	2006 Plan	2007 Plan	2008 Plan
Volatility	22%	20%	25%
Risk-free interest rate	2.82%	3.39%	4.00%
Maturity	4 years	4 years	4 years
Exercise price *(in euros)*	28.36	44.63	36.21
Fair value of stock options *(in euros)*	**6.29**	**7.89**	**8.99**

The volatility assumption was determined on the basis of observation of historical movements in the ARKEMA share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend.

The maturity adopted for the options corresponds to the period of unavailability for tax purposes.

The amount of the IFRS 2 expense recognized in respect of stock options at 31 December 2009 was €3 million (€4 million at 31 December 2008). The decrease in this expense mostly reflects the fact that no stock options were granted in 2009.

26.2 Free share grants

At 12 May 2009, 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. The Chairman and CEO and members of the Executive Committee have decided to waive the shares granted to them under this plan.

The definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms both of free cash flow and of the trend in ARKEMA's EBITDA compared to a panel of other manufacturers of chemicals.

The main characteristics of the free share grant plans in force are as follows:

	2006 Plan	2007 Plan	2008 Plan 1	2008 Plan 2	2009 Plan	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	10 May 06	10 May 06	
Date of Board of Directors' meeting	4 July 06	14 May 07	13 May 08	13 May 08	12 May 09	
Vesting period	2 years	2 years	2 years	2 years	2 years	
Conservation period	2 years	2 years	2 years	2 years	2 years	
Performance condition	Yes	Yes	Yes	No	Yes	
Number of free shares granted	**150,000**	**125,000**	**135,556**	**44,444**	**184,850**	
to corporate officers: Thierry Le Hénaff	8,000	7,000	14,000	-	14,000	
- to the 10 largest beneficiaries [(1)]	30,500	21,700	44,170	1,830	41,500	
Number of free shares						
In circulation at 1 January 2008	143,315	125,000	-	-	-	268,315
Granted	-	-	135,556	44,444	-	180,000
Cancelled	2,210	995	-	-	-	3,205
Definitively granted	141,105	-	-	-	-	141,105
In circulation at 31 December 2008	**0**	**124,005**	**135,556**	**44,444**	**0**	**304,005**
In circulation at 1 January 2009	-	124,005	135,556	44,444	-	304,005
Granted	-	-	-	-	184,850	184,850
Cancelled	-	36,405	3,350	2,100	49,000 [(2)]	90,855
Definitively granted	-	87,600	-	-	-	87,600
In circulation at 31 December 2009	**-**	**0**	**132,206**	**42,344**	**135,850**	**310,400**

(1) Employees who are not corporate officers of Arkema SA or any other Group company.
(2) Waived by the Chairman and CEO and members of the Executive Committee.

The amount of the IFRS 2 expense recognized in respect of free shares at 31 December 2009 is €1 million (€4 million at 31 December 2008). The decrease in this expense in 2009 is explained by the lower number of free shares available for grant, based on the estimated rate of achievement of performance and service conditions in 2009.

Note 27 Off-balance sheet commitments

27.1 Commitments given

27.1.1 OFF-BALANCE SHEET COMMITMENTS GIVEN IN THE ORDINARY COURSE OF BUSINESS

The main commitments given are summarized in the table below:

(In millions of euros)	**31.12.2009**	**31.12.2008**
Guarantees granted	68	65
Comfort letters	2	2
Contractual guarantees	10	23
Customs and excise guarantees	8	8
TOTAL	**88**	**98**

Guarantees granted are mainly bank guarantees in favor of local authorities and public bodies (state agencies, environmental agencies) in respect of environmental obligations or concerning classified sites.

27.1.2 CONTRACTUAL COMMITMENTS

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 of 1 to 15 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" type clauses.

The total amount of the Group's financial commitments is valued on the basis of the last known prices and amounts to €731 million at 31 December 2009 (see maturity schedule below):

(In millions of euros)	**31.12.2009**	**31.12.2008**
2009	-	299
2010	207	159
2011	136	139
2012	99	68
2013 until expiry of the contracts	289	298
TOTAL	**731**	**963**

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, Fos port concession) and transportation equipment (rail cars, containers, transport barges).

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).

(In millions of euros)	31.12.2009 Capitalized leases	31.12.2009 Non-capitalized leases	31.12.2008 Capitalized leases	31.12.2008 Non-capitalized leases
2009	-	-	3	20
2010	2	24	3	20
2011	2	22	3	17
2012	2	20	2	16
2013 and beyond	12	99	12	78
NOMINAL VALUE OF FUTURE LEASE PAYMENTS	**18**	**165**	**22**	**151**
Finance cost	4	NA	5	NA
PRESENT VALUE	**22**	**NA**	**17**	**NA**

NA: not applicable

27.1.3 OTHER COMMITMENTS GIVEN

Warranties related to sales of businesses

Sales of businesses generally involve the provision of warranties in respect of unrecorded liabilities to the purchaser. ARKEMA sometimes grants such warranties on the sale of businesses. In most cases these warranties are capped and granted for a limited period of time. They are also limited in terms of their coverage to certain types of litigation and claims. In the majority of cases, they cover risks of occurrence of environmentally related claims.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted in the past by ARKEMA amounted to €85 million at 31 December 2009 (€84 million at 31 December 2008). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

27.2 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.

27.2.1 THE INDEMNITIES EXTENDED BY TOTAL IN RESPECT OF CERTAIN ANTITRUST LITIGATION

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. and Elf Aquitaine, Inc., has extended to Arkema Amériques SAS, the indemnities, the principal terms of which can be described as follows.

Subject-matter of the Indemnities

By an agreement dated 15 March 2006 (*the Arkema European Indemnity*), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 (*the Arkema U.S. Indemnity*), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 (*the Arkema Delaware Indemnity*), to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of $17 million under the Arkema Delaware Indemnity. At 31 December 2009, the residual amount covered by this indemnity amounts to $876 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (*the Supplemental Arkema Delaware Indemnity*) covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the Indemnities and individually as an Indemnity.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc. as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €229 million being received from Total SA. The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnities of Arkema S.A. and Arkema Inc.

Arkema S.A. et Arkema Inc. have agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. and Arkema Inc. will be reduced by the indemnity which would have been paid by Total S.A. or Elf Aquitaine, Inc., as the case may be, under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. and Arkema Inc. is triggered, Arkema S.A. or Arkema Inc., as the case may be, would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceeds the deductible).

Duration of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

The Arkema Inc. cross-indemnity is valid for a term of 10 years from 7 March 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% – and 20% in the case of double voting rights – unless a purchaser acquires at least two thirds of the total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., prior to the termination event.

27.2.2 OBLIGATIONS AND INDEMNITIES GIVEN IN RESPECT OF FORMER INDUSTRIAL SITES

In order to cover certain risks relating to certain industrial sites situated in France, Belgium and the United States in respect of which the Group is or could be held liable, and where, for the most part, operations have ceased (the Former Industrial Sites), Total S.A. companies have entered with Arkema S.A. or its subsidiaries into indemnity and service agreements the principal terms of which can be described as follows:

Agreement relating to Former Industrial Sites located in France

Arkema France has entered into various agreements with Total companies and in particular Retia. Pursuant to these agreements, the Total companies concerned, in consideration of a flat fee already paid by Arkema France, assume all the investigation, restoration and monitoring obligations that could be imposed on Arkema France by the competent administrative authorities in respect of industrial sites located in France the operation of which, for the most part, has ceased. To this end, the agreements provide, in particular, (i) in the majority of cases, for the transfer of ownership of the sites concerned by Arkema France to the Total companies concerned, (ii) for the Total companies concerned to be substituted for Arkema France in the capacity of last operator of those sites whenever that is possible, (iii) for the performance by the Total companies concerned of the restoration obligations of the sites in question in accordance with the applicable rules and (iv) for the indemnity by the Total companies in respect of the financial consequences of claims which could be brought against Arkema France by reason of the impact of those sites on the environment.

In most cases, Arkema France retains responsibility for the consequences concerning employees and former employees of Arkema France as well as third parties, in terms of public health or occupational pathologies, of the industrial activities formerly carried out by Arkema France and its predecessors on the sites which are the subject of the aforementioned agreements.

Agreement relating to the Former Industrial Site at Rieme in Belgium

On 30 December 2005, Arkema France sold all of the shares that it held in the share capital of the Belgian company Resilium Belgium to the company Septentrion Participations, a subsidiary of Total S.A.

The company Resilium Belgium is the owner of a Former Industrial Site located at Rieme in Belgium.

Having regard to the future costs that might arise from the restoration of the Former Industrial 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 consummated 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, subject to certain exceptions and exclusions.

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 $35 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.

27.2.3 TAX INDEMNITY GRANTED BY TOTAL S.A

In order to cover potential tax risks related to the business activities transferred by the Group to Total or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated 15 March 2006 (the Tax Indemnity), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by reserves, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses (with the exception of reassessments that may affect Arkema UK, as indicated below) and is subject to the specific terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A. Arkema S.A.'s failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnification

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to 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.

Special provisions applying to certain foreign companies of the Group

No recourse shall be taken against Arkema Deutschland in respect of any tax reassessments applying to the years during which it was included in the German tax groups formed by Total Mineralöl und Chemie and Total Deutschland.

Tax liabilities arising from the reorganization undertaken for purposes of separating Arkema's Businesses from Total's Chemicals sector in the Netherlands, which may have been incurred by Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group of which Arkema North Europe B.V. is the parent company are excluded from the Tax Indemnity. Any other tax liabilities arising from reassessments that may be applied to Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group will be assumed by these companies, which remain under Total S.A.'s control.

Arkema UK will benefit from a UK corporation tax indemnity covering any tax reassessments against it relating to Arkema's Businesses. This indemnity will be limited to the amount of losses generated by the Arkema Businesses that have been transferred by Arkema UK as result of the group relief instituted by Total Holdings UK for corporation tax purposes in the United Kingdom.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

27.2.4 OTHER INDEMNITIES GIVEN IN THE CONTEXT OF THE SPIN-OFF OF ARKEMA'S BUSINESSES

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which Arkema S.A. declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. Arkema S.A. releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-off of Arkema's Businesses

Total S.A. and Arkema S.A. have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of Arkema's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its de facto or de jure directors, corporate officers or executives against any Total entity or any one of its de facto or de jure employees, directors, corporate officers or executives (a Total Entity). The claims, actions or complaints mentioned above are hereinafter referred to as the ARKEMA Claim(s).

Consequently, Arkema S.A. has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity. Arkema S.A. has waived all ARKEMA Claims other than New Claims, as defined below.

Arkema S.A.'s indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential ARKEMA Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to 18 May 2006, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the New Claim(s)).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, directors, corporate officers or executives (the ARKEMA Entity(ies)), arising from the ownership or operation by Arkema entities of the companies or businesses acquired by Total before 18 May 2006 (the Total Claim(s)).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by ARKEMA Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from 18 May 2006.

In addition, the Arkema Delaware Main SPA provides that Arkema Amériques SAS, which became a subsidiary of Arkema S.A. on 18 May 2006, will indemnify Elf Aquitaine, Inc., a subsidiary of Total S.A., for any taxes that may result from a breach of representations or covenants under the Arkema Delaware Main SPA or the Tax Sharing Agreement dated 1 January 2001, among Total Holdings USA, Inc. and certain of its subsidiaries, by Arkema Amériques SAS, Arkema Delaware Inc., or certain of the subsidiaries of Arkema Delaware Inc. Elf Aquitaine, Inc. will likewise indemnify Arkema Amériques SAS for any taxes resulting from such breaches by Elf Aquitaine, Inc. Moreover, the Arkema Delaware Main SPA provides that Elf Aquitaine Inc. and its US subsidiaries, on the one hand, and Arkema Delaware Inc. with certain of its US subsidiaries, on the other hand, will each be responsible for their share of US federal and state income taxes before 7 March 2006, as computed under the Tax Sharing Agreement, because for this period Elf Aquitaine, Inc. files a consolidated US federal income tax return that includes Arkema Delaware Inc. and certain of its subsidiaries and pays the taxes due in respect of the consolidated US federal income tax return. Arkema Delaware Inc. and certain of its subsidiaries will be required to pay such amounts to Elf Aquitaine, Inc. For periods after 7 March 2006, Arkema Delaware, Inc. and its US subsidiaries will be responsible to file income tax returns separately from Elf Aquitaine, Inc. and separately to make all tax payments in respect of these returns.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section "Commitments received from Total in 2006".

Note 28 Statutory auditors' fees

	KPMG				Ernst & Young			
	Amount				Amount			
	(In millions of euros)		%		*(In millions of euros)*		%	
	2009	2008	2009	2008	2009	2008	2009	2008
Audit								
Auditing, certification, review of individual and consolidated financial statements	**1.6**	**1.7**			**1.6**	**1.5**		
Issuer	0.4	0.4			0.5	0.4		
Fully consolidated subsidiaries	1.2	1.3			1.1	1.1		
Other due diligence works and services directly related to the auditors' mission	**-**	**-**			**-**	**-**		
Issuer	-	-			-	-		
Fully consolidated subsidiaries	-	-			-	-		
SUB-TOTAL	**1.6**	**1.7**	**100%**	**94%**	**1.6**	**1.5**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries	**-**	**0.1**	**0%**	**6%**	**-**	**-**	**0%**	**0%**
TOTAL	**1.6**	**1.8**	**100%**	**100%**	**1.6**	**1.5**	**100%**	**100%**

Note 29 Subsequent events

In August 2009 Arkema announced the acquisition of Dow's acrylic monomers business located at Clear Lake, Texas and its acrylic latex business in North America based on an enterprise value of US $50 million. The acquisition was completed on 25 January 2010.

Scope of consolidation at 31 December 2009

(a) Companies consolidated for the first time in 2009
(b) Companies acquired in 2009
(c) Companies sold in 2009
(d) Companies merged in 2009

The percentage of control indicated below also corresponds to the Group's ownership interest in each entity.

Akishima Chemical Industries Co. Ltd		Japan	100,00	FC
Alphacan BV		Netherlands	100,00	FC
Alphacan DOO		Croatia	100,00	FC
Alphacan Espana SA		Spain	99,92	FC
Alphacan Perfiles SLU		Spain	99,92	FC
Alphacan SA		France	100,00	FC
Alphacan SPA		Italy	100,00	FC
Altuglas International Denmark A/S		Denmark	100,00	FC
Altuglas International SPA		Italy	100,00	FC
Altuglas International BV		Netherlands	100,00	FC
Altuglas International Mexico Inc.		United States	100,00	FC
Altuglas International S.A.		France	100,00	FC
Altuglas International UK Ltd		United Kingdom	100,00	FC
Altuglas Polivar Spa		Italy	100,00	FC
Altumax Deutschland GmbH		Germany	100,00	FC
Altumax Europe SAS		France	100,00	FC
American Acryl LP		United States	50,00	PC
American Acryl NA LLC		United States	50,00	PC
Arkema		South Korea	100,00	FC
Arkema SA		France	100,00	FC
Arkema Amériques SAS		France	100,00	FC
Arkema Asie		France	100,00	FC
Arkema Beijing Chemicals Co. Ltd		China	100,00	FC
Arkema BV		Netherlands	100,00	FC
Arkema Canada Inc.		Canada	100,00	FC
Arkema Catalyst India Ltd	(c)	India	100,00	FC
Arkema Changshu Chemicals Co. Ltd		China	100,00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100,00	FC
Arkema Changshu Haike Chemicals		China	49,00	FC
Arkema China Investment Co. Ltd		China	100,00	FC
Arkema Company Ltd		Hong Kong	100,00	FC
Arkema Daikin Fluorochemical Co. Ltd		China	60,00	PC
Arkema Delaware Inc.		USA	100,00	FC
Arkema Europe SAS		France	100,00	FC
Arkema Europe Holdings BV		Netherlands	100,00	FC
Arkema Finance Nederland BV		Netherlands	100,00	FC

Arkema France		France	100,00	FC
Arkema Gas Odorants LLC		United States	100,00	FC
Arkema GmbH		Germany	100,00	FC
Arkema Guangzhou Chemicals Co. Ltd	(c)	China	100,00	FC
Arkema Holding Ltd		United Kingdom	100,00	FC
Arkema Holland Holding BV		Netherlands	100,00	FC
Arkema Inc.		USA	100,00	FC
Arkema Iniciadores SA de CV		Mexico	100,00	FC
Arkema KK		Japan	100,00	FC
Arkema Ltd (UK)		United Kingdom	100,00	FC
Arkema Ltd (Vietnam)		Vietnam	100,00	FC
Arkema Mexico	(a)	Mexico	100,00	FC
Arkema North Europe BV		Netherlands	100,00	FC
Arkema Peroxides India Private Limited		India	100,00	FC
Arkema Pte Ltd		Singapore	100,00	FC
Arkema Quimica ltda		Brazil	100,00	FC
Arkema Quimica SA		Spain	99,92	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66,67	FC
Arkema RE		Ireland	100,00	FC
Arkema Rotterdam BV		Netherlands	100,00	FC
Arkema Shanghai Distribution		China	100,00	FC
Arkema sp Z.o.o		Poland	100,00	FC
Arkema SRL		Italy	100,00	FC
Arkema Vlissingen BV		Netherlands	100,00	FC
Arkema Yoshitomi Ltd		Japan	49,00	EM
Ceca Italiana SRL	(d)	Italy	100,00	FC
Ceca SA		France	100,00	FC
Changshu Resichina Engeneering Polymers Co. Ltd		China	100,00	FC
Coatex SAS		France	100,00	FC
Coatex Netherlands BV		Netherlands	100,00	FC
Coatex Inc.	(d)	United States	100,00	FC
Coatex Korea		South Korea	100,00	FC
Coatex CEE		Slovakia	100,00	FC
Coatex NA	(d)	United States	100,00	FC
Coatex Asia Pacific		South Korea	100,00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong Kong	40,00	PC
Daikin Arkema Refrigerants Trading (Shanghai)		China	40,00	PC
Delaware Chemicals Corporation		United States	100,00	FC
Dorlyl snc		France	100,00	FC
Febex SA		Switzerland	96,77	FC
Luperox Iniciadores SA de CV		Mexico	100,00	FC
Maquiladora General de Matamoros sa de cv		Mexico	100,00	FC
Michelet Finance, Inc.		United States	100,00	FC

MLPC International		France	100,00	FC
Oxford Performance Materials		United States	84,50	FC
Oxochimie		France	50,00	PC
Ozark Mahoning Company		United States	100,00	FC
Plasgom		Spain	99,92	FC
Plasticos Altumax SA		Spain	100,00	FC
Qatar Vinyl Company Limited		Qatar	12,91	EM
Résil Belgium		Belgium	100,00	FC
Resilia SRL		Italy	100,00	FC
Resinoplast		France	100,00	FC
Resinoplast North America	(a)	Mexico	100,00	FC
SEKI Arkema		South Korea	51,00	FC
Shanghaï Arkema Gaoyuan Chemicals Co. Ltd		China	93,40	FC
Stannica LLC		United States	40,00	PC
Sunclear		France	100,00	FC
Turkish Products, Inc.		United States	100,00	FC
Viking chemical company		United States	100,00	FC
Vinilis		Spain	34,97	EM
Vinylberre		France	65,05	FC
Vinylfos		France	79,00	FC
Winkelmann	(b) (d)	Italy	100,00	FC

NB: FC: Full consolidation
PC: Proportionate consolidation
EM: consolidation by the equity method

20.4 Report from statutory auditors on Company's financial statements

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 includes information specifically required by French law in all audit reports, whether qualified or not, and this is presented below the opinion on the financial statements. This information includes explanatory paragraphs discussing the auditors' assessments of certain significant accounting matters. These assessments were made for the purpose of issuing an opinion on the financial statements taken as a whole and not to provide separate assurance on individual account captions or on information taken outside of the annual financial statements. The report also includes information relating to the specific verification of information in the management report. 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

Faubourg de l'Arche

11, allée de l'Arche

92037 Paris la Défense Cedex

S.A.S. à capital variable

Commissaire aux comptes

Membre de la Compagnie Régionale de Versailles

ARKEMA

Year ended 31 December 2009

Statutory auditors' report on the Company's financial statements

To the shareholders,

Following our appointment as statutory auditors by your general meetings, we hereby report to you, for the year ended 31 December 2009, on:

- the audit of the accompanying annual financial statements of Arkema S.A.;
- the justification of our assessments;
- the specific verifications and information required by French law.

The annual financial statements were 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 ANNUAL FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance as to whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis or using other selection methods, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that the data which we collected was sufficient and appropriate to provide a reasonable basis for our audit opinion.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company at 31 December 2009 and the results of its operations for the year then ended, in accordance with the accounting rules and principles applicable in France.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- As described in note B.1 to the financial statements, the value in use of investments is assessed by reference to the share held in the investee's net assets, or by reference to an external valuation or by reference to discounted future cash flows, where these methods provide more relevant information than the share held in the investee's net assets. As part of our assessments of the accounting principles and policies used by your Company, we verified that the above accounting methods were appropriate. We also verified that note D.1 to the financial statements "Investments" provides an appropriate level of information.

- Note B.6 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.

The assessments were thus made in the context of the performance of our audit of the financial statements taken as a whole and therefore contributed to the formation of our audit opinion expressed in the first part of this report.

III. SPECIFIC VERIFICATIONS AND INFORMATION

We also performed the specific verifications required by law, in accordance with the professional standards applicable in France.

We have no matters to report regarding the fair presentation and the conformity with the annual financial statements of the information given in the Directors' report and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements.

As regards information provided in accordance with the provisions of article L. 225-102-1 of the French Commercial Code (*Code de commerce*) in respect of compensations and benefits granted to the relevant Directors and any other commitments made in their favour, we verified their consistency with the financial statements and with the data used to prepare these financial statements and, where applicable, with the information gathered by your company from companies controlling your company or controlled by your company. On the basis of this work, we attest to the accuracy and fairness of this information.

In accordance with French law, we ensured that the required information concerning the purchase of investments and controlling interests and the names of the principal holders of the voting rights were duly disclosed in the Group's management report.

Paris-La Défense, 4 March 2010

The statutory auditors

French original signed by

KPMG Audit		ERNST & YOUNG Audit	
Département de KPMG S.A.			
Bertrand Desbarrières	Jean-Louis Caulier	François Carrega	Valérie Quint
Partner	Partner	Partner	Partner

20.5 Company's financial statements at 31 December 2009

Balance sheet

ASSETS

(In millions of euros)	Note	31.12.2009 Gross	31.12.2009 Depreciation and impairment	31.12.2009 Net	31.12.2008 Net
Investments, net	D 1	2,721	1,423	1,298	1,508
Other financial fixed assets		-	-	0	0
TOTAL FIXED ASSETS		**2,721**	**1,423**	**1,298**	**1,508**
Trade receivables	D 2	9	-	9	10
Other receivables	D 2	71	-	71	63
Treasury shares		0	-	0	1
Subsidiary current accounts	D 2	561	-	561	349
Cash and cash equivalents		-	-	-	-
TOTAL CURRENT ASSETS		**641**	**-**	**641**	**423**
Prepaid expenses		0	-	0	0
TOTAL ASSETS		**3,362**	**1,423**	**1,939**	**1,931**

LIABILITIES AND SHAREHOLDERS' EQUITY

		31.12.2009	31.12.2008
Share capital		605	605
Paid-in surplus		999	999
Legal reserve		61	61
Retained earnings		151	94
Net income for the year		20	94
TOTAL SHAREHOLDERS' EQUITY	D 3	**1,836**	**1,853**
PROVISIONS	D 4	**22**	**11**
Debt	D 5	0	0
Trade payables	D 5	11	12
Tax and employee-related liabilities	D 5	4	5
Other payables	D 5	66	52
TOTAL CURRENT LIABILITIES		**81**	**68**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,939**	**1,931**

Income statement

(In millions of euros)	2009	2008
Services billed to related companies	8	7
Other purchases and external expenses	(11)	(12)
Taxes other than income taxes	0	0
Personnel expenses	(5)	(7)
Other operating expenses	0	0
(Allowances) and reversals of provisions	(2)	(2)
Operating income	**(10)**	**(14)**
Dividends from investments	233	125
Interest income	2	8
Interest expenses	(1)	0
Net foreign exchange gains (losses)	0	0
Impairment of investments	(240)	(71)
(Allowances) and reversals of provisions for financial risks	(9)	0
Financial result	**(16)**	**62**
Income before tax and exceptional items	**(26)**	**48**
(Allowances) and reversals of exceptional provisions	0	(2)
Income and (expenses) on capital transactions	(2)	17
Exceptional items	**(2)**	**15**
Income taxes	48	30
NET INCOME	**20**	**94**

Cash flow statement

(In millions of euros)	2009	2008
Net income	20	94
Changes in provisions	11	4
Changes in impairment	240	71
(Gains)/losses on sales of assets	0	(17)
Gross operating cash flow	**271**	**152**
Change in working capital	(10)	0
Cash flow from operating activities	**261**	**152**
Cost of acquisition of investments	(13)	(14)
Sale of investments	0	80
Cash flow from investment activities	**(13)**	**66**
Increases in loans	0	0
Change in share capital and other equity	-	(6)
Distribution of dividends to shareholders	(36)	(46)
Cash flow from financing activities	**(36)**	**(52)**
CHANGE IN NET DEBT	**212**	**166**
Net cash at beginning of period *	349	183
Net cash at end of period *	561	349

* *Including subsidiary current accounts.*

Table of subsidiaries and investments at 31.12.2009

DETAILED INFORMATION ON SUBSIDIARIES AND INVESTMENTS

Subsidiaries and investments		Share capital *(in M. foreign currency)*	Shareholders' equity other than capital *(in M. foreign currency)* net income excl.	Gross value of shares owned *(in € millions)*	Net carrying amount of shares owned *(in € millions)*	Number of shares owned	Ownership interest *(in %)*	Loans, advances & current accounts - Gross Value *(in € millions)*	Guarantees given by the company *(in € millions)*	Net sales of last financial year *(in M. foreign currency)*	Net income (loss) *(in M. foreign currency)*	Dividends received by the company *(in € millions)*
French subsidiaries												
Arkema France 420, rue d'Estienne d'Orves 92705 Colombes Cedex	EUR	69	347 *	1,418	0	538,979,168	99.99	561	1,100	2,494	(245)	-
Arkema Amériques SAS 420, rue d'Estienne d'Orves 92705 Colombes Cedex	EUR	1,049	355	1,044	1.044	104,354,000	99.46	-	-	-	36	229
Arkema Europe SA 420, rue d'Estienne d'Orves 92705 Colombes Cedex	EUR	548	6	188	184	12,370,925	34.32	-	-	-	(19)	4
Arkema Asie SAS 420, rue d'Estienne d'Orves 92705 Colombes Cedex	EUR	120	35	71	71	32,420	59.4	-	-	-	2	-
TOTAL INVESTMENTS				**2,721**	**1,298**			**561**	**1,100**	**2,494**	**(225)**	**233**

* *Included €180 million of provisions for tax purposes.*

20.6 Notes to the Company's financial statements at 31 December 2009

A. HIGHLIGHTS

None.

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 3 March 2010.

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 company activity exercised by the company.

The usual French accounting conventions have been applied, in compliance with the prudence principle, in accordance with the following basic assumptions:

- going concern;
- consistency of accounting policies from one financial year to the next; and
- accruals basis of accounting and cut-off.

The basic method used to value items recorded in the accounting records is the historical cost method.

The main accounting policies used by the Company are presented below.

1. Investments

Investments are stated at the lower of acquisition cost and value in use. Investment acquisition expenses are recognized in the income statement as incurred.

Value in use is assessed by reference to the share held in the investee's net assets. However, value in use may be assessed by reference to an external valuation or by reference to discounted future cash flows where these methods provide more relevant information than the share held in the investee's net assets.

2. Costs of capital increases

In accordance with opinion 2000-D of the urgent issues committee of the French National Accounting Board (*Conseil National de la Comptabilité*), issued on 21 December 2000, the company opted to recognize the costs of capital increases as a deduction from issue premiums.

3. Receivables

Accounts Receivables are recognized at their book value. A bad debt provision is recognized when the net realisable value is lower than the book value. Receivables denominated in foreign currencies are translated at the exchange rate at 31 December 2009.

4. Treasury shares

Treasury shares owned by Arkema are recognized at acquisition cost in current assets. They are valued in accordance with the FIFO (first-in first-out) method. Treasury shares are normally written down, if necessary, on the basis of their value at the balance sheet date. By exception, and in accordance with opinion n°2008-17 of the French National Accounting Board (*Conseil National de la Comptabilité*), issued on 6 November 2008, these shares are not written down on the basis of their market value where they have been allocated to a plan, because of the commitment to make grants to employees and the provision recognized in this respect in liabilities.

Treasury shares initially allocated to cover grants to employees are reclassified into financial fixed assets into a "Treasury shares for cancellation" sub-account when a decision is taken to cancel the shares. They are then recorded at their net carrying amount at the date on which their allocation is changed.

5. Stock options and free share grants

5.1 STOCK OPTIONS

Stock options are accounted for, at the date of exercise, as a capital increase for an amount corresponding to the subscription price paid by the stock option holders. The difference between the subscription price and the nominal value of the shares created, if any, represents issue premiums.

5.2 FREE SHARE GRANTS

Arkema shares will be definitively granted to beneficiaries at the end of a two-year vesting period subject to meeting the presence and, if applicable, performance conditions set by the Board of Directors.

5.2.1 Issue of new shares

Where the free share grant is carried out by issuing new shares, the capital increase by means of a transfer from reserves of the nominal amount of the shares created is recognized in the financial statements at the end of the vesting period.

5.2.2 Buybacks of existing shares

Where the free share grant is carried out through buybacks of existing shares (following a decision taken by the Board of Directors in relation to the plan in question), a provision representing the obligation to deliver the shares is recognized at year end for (i) the probable purchase price, valued on the basis of the closing share price, if the shares have not yet been purchased or (ii) the net carrying amount of the treasury shares if they have already been purchased. On delivery at the end of the vesting period, the purchase price paid by the company for the shares granted is recognized in expenses and the provision previously recorded is reversed.

The provision is recognized on a time-proportion basis over the vesting period and takes into account, as applicable, the probability of meeting the presence and performance conditions set by the Board of Directors.

5.3 SOCIAL SECURITY CONTRIBUTION OF 10%

The 2008 French social security financing act (law 2007-1786 of 19 December 2007) created a new employer contribution on stock options and free share grants. This contribution is payable to the mandatory health insurance schemes to which the beneficiaries are affiliated and is paid in the month following the decision to grant stock options or free shares.

As regards stock options, the contribution is calculated, at the company's choice, either on the basis of (i) the fair value of the options as estimated in the consolidated financial statements or (ii) 25% of the value of the shares to which these options relate at the date of the Board of Directors meeting which decided to make the grant.

As regards free share grants, the contribution is calculated, at the company's choice, either on the basis of (i) the fair value of the shares as estimated in the consolidated financial statements or (ii) the value of the shares at the date of the Board of Directors meeting which decided to make the grant.

The choice of the basis to be used is made for the entire financial year.

6. Provisions for pensions and similar benefits

Arkema S.A. has granted top-up pension plans and other non-pension benefits (lump sum payments on retirement, long service awards, death and disability benefits, contributions to healthcare bodies) to certain employees.

Provisions are recognized in respect of these obligations in the financial statements.

The amount of the provision corresponds to the present value of employee's vested rights at the balance sheet date.

The valuation of obligations, under the projected unit credit method, principally takes into account:

- a discount rate which depends on the duration of the obligations (5% in 2009 *vs.* 5.4% in 2008);
- 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.

7. Tax consolidation

The tax consolidation agreements signed between Arkema S.A. and the other companies in the tax consolidation group refer to a neutrality principle in accordance with which each consolidated subsidiary must recognize in its own financial statements, during the entire period of its consolidation within the ARKEMA tax consolidation group, a corporate income tax expense (or income), additional levies and minimum corporate tax (IFA) identical to that which it would have recognized had it not formed part of the tax consolidation group.

In its accounting records, Arkema S.A. recognizes:

- in "other receivables", with an offsetting entry to income taxes, the amount of income taxes owed by profitable companies in the tax consolidation group;
- in "other payables", with an offsetting entry to income taxes, the amount of taxes due by the tax consolidation group.

In addition, in accordance with opinion 2005-G of the urgent issues committee of the French National Accounting Board (CNC), Arkema S.A. recognizes, as necessary, a provision to cover the parent company's obligation to return the tax savings resulting from the use of its subsidiaries' tax losses to such subsidiaries as soon as they become profitable again.

C. SUBSEQUENT EVENTS

None.

D. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The figures presented in the notes to the parent company financial statements are expressed in millions of euros (unless otherwise indicated).

1. Investments

(In millions of euros)	31.12.2008	Increase	Decrease	31.12.2009
Gross value	2,690	30	-	2,720
Provision for impairment	(1,182)	(240)	-	(1,422)
NET VALUE	**1,508**	**(210)**	**-**	**1,298**

The change in Investments result from:

• the capital increase of Arkema Asia	30.0 M€*
• an increase in the provision for impairment of the investment in Arkema France	(235.5) M€
• an impairment of the investment in Arkema Europe	(4.5) M€
TOTAL	**(210) M€**

* *The shares in Arkema Asia have been paid up to an amount of €13 million.*

At 31 December 2009, the company has recognized an additional impairment of €235 million of its investment in Arkema France based on the variation of the share held in the subsidiary's net assets. This impairment led to reduction of the net value of the investment in Arkema France to 0 and to recognition of a provision for financial risks of €9 million (see section 4 Provisions).

Furthermore, the degradation of the net result of Arkema Europe led to recognition of an impairment of €4.5 million.

2. Current assets

2.1 RECEIVABLES

The breakdown of the company's receivables at 31 December 2009 by maturity is as follows:

(In millions of euros)	Gross amount	Of which less than 1 year	Of which more than 1 year
Operating receivables	9	9	-
Cash advances to subsidiaries	561	561	-
Other receivables *	71	71	-
TOTAL	**641**	**641**	**-**

* *Almost entirely income tax receivables.*

2.2 TREASURY SHARES

At 31 December 2009, Arkema S.A. owns 407 treasury shares which are recorded at their acquisition cost of €6,366. These shares are allocated to cover the May 2008 free share grant plan (see section 10).

No impairment has thus been recognized in the financial statements at 31 December 2009.

3. Shareholders' equity

At 31 December 2009, the share capital is composed of 60,454,973 shares with a nominal value of 10 euros.

Changes in shareholders' equity are as follows:

(In millions of euros)	Opening balance at 31.12.2008	Appropriation of 2008 net income	Distribution of dividend *	Increase	Decrease	31.12.2009 before appropriation
Share capital	605					605
Issue premium	-					-
Paid-in surplus	874					874
Merger surplus	125					125
Legal reserve	61					61
Other reserves	-					-
Retained earnings	94	94	(36)			151
Net income for 2008	94	(94)				-
Net income for 2009				20		20
TOTAL SHAREHOLDERS' EQUITY	**1,853**	**0**	**(36)**	**20**		**1,836**

* *The shareholders' general meeting of 15 June 2009 adopted a resolution proposing to distribute a dividend of €0.60 per share, or a total amount of €36.3 million, in respect of the 2008 financial year.*

4. Provisions

Changes in provisions recognized in the company`s balance sheet are set out in the table below:

(In millions of euros)	31.12.2008	Increase	Decrease	31.12.2009
Provisions for pensions and similar benefits	9	2 (a)		11
Provisions for long service awards	0	0	0	0
Provision for free share grant	2	1 (b)	(1) (d)	2
Provision for financial risks	-	9 (c)		9
TOTAL	**11**	**12**	**(1)**	**22**
These movements split as follows:				
Recognized in operating income		2	-	
Recognized in financial result		9	-	
Recognized in exceptional items		**1**	**(1)**	
		12	**(1)**	

(a) Of which actuarial gains and losses for €1 million and interest cost and service cost for €1 million (see Accounting policies).
(b) Allowances and reversals recognized in exceptional items.
(c) See § D-1.
(d) Reversal corresponding to an effective expense relating to the free share grant under the 2007 plan.

5. Current liabilities

The breakdown of the company's payables at 31 December 2009 by maturity is as follows:

(In millions of euros)	Gross amount	Of which less than 1 year	Of which 1 to 5 years	Of which more than 5 years
Debt	-	-	-	-
Trade payables	11	11 [(a)]	-	-
Tax and employee-related liabilities	4	4	-	-
Other payables	66	66 [(b)]	-	-
TOTAL	**81**	**81**	**-**	**-**

(a) Maturity less than 30 days.
(b) including income tax payables owed to subsidiaries in the tax consolidation group for €49 million and not yet fully paid up shares of arkema asia for €17 million.

6. Related parties

Details of transactions and balances with related parties are set out below:

(In millions of euros)	
Financial fixed assets	
Investments	1,298
Receivables	
Trade receivables	7
Other receivables (incl. current accounts)	561
Other receivables	72
Payables	
Trade payables	10
Other payables	66
Net sales	
Billing of management fees to subsidiaries	7
Financial expenses	
Interest and financial expenses	-
Financial income	
Income from investments	233
Interest income	2

7. Financial result

- Arkema S.A. received dividends for a total amount of €232 million from:
  - Arkema Europe SA in an amount of €4 million,
  - Arkema Amériques SAS in an amount of €229 million (of which €80 million related to the 2008 net income and €148 million as an interim dividend related to 2009 net income).
- Interest income corresponds to the remuneration of the amounts made available to Arkema France S.A. in the context of the Group's cash pooling system.

8. Income taxes

In 2009, application of the tax consolidation regime resulted in tax income (negative expense) for Arkema S.A. of €48 million. This amount corresponds to the income taxes of the profitable companies.

If there had been no tax consolidation, Arkema S.A. would not have borne any tax expense in respect of 2009 because of its tax loss position.

9. Deferred tax position

INCREASES AND REDUCTIONS IN FUTURE TAX LIABILITIES AT 31 DECEMBER 2009

(In millions of euros)	
Temporarily non-deductible expenses	
Provisions for pensions and death and disability benefits	2
Other expenses	-

The tax loss of Arkema as a stand-alone company at 31 December 2009 amounted to €1 million, being a reduction of €2 million compared with 31 December 2008.

The standard rate tax loss carryforwards of the tax consolidation group at 31 December 2009 amount to €651 million.

10. Stock option plans and free share grants

STOCK OPTIONS

In the light of the current unprecedented economic context and following a proposal from its Chairman, Arkema's Board of Directors decided not to grant any stock options in 2009.

The main characteristics of the outstanding stock option plans at 31 December 2009 are as follows:

	2006 Plan	2007 Plan	2008 Plan	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	
Date of Board of Directors' meeting	4 July 06	14 May 07	13 May 08	
Vesting period	2 years	2 years	2 years	
Conservation period	4 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	
Number of options granted	**540,000**	**600,000**	**460,000**	**1,600,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	177,500
to the 10 largest beneficiaries *	181,000	217,000	169,350	567,350
Total number of options exercised	**1,150**	**-**	**-**	**1,150**
by corporate officers	-	-	-	-
by the 10 largest beneficiaries *	1,150	-	-	1,150
Number of options				
In circulation at 1 January 2008	536,000	600,000	-	1,136,000
Granted	-	-	460,000	460,000
Cancelled	-	7,800	-	7,800
Exercised	1,150	-	-	1,150
In circulation at 31 December 2008	**534,850**	**592,200**	**460,000**	**1,587,050**
In circulation at 1 January 2009	534,850	592,200	460,000	1,587,050
Granted	-	-	-	-
Cancelled	-	1,000	5,586	6,586
Exercised	-	-	-	-
In circulation at 31 December 2009	**534,850**	**591,200**	**454,414**	**1,580,464**

* *Employees who are not corporate officers of Arkema S.A. or any other Group company.*

No stock option was exercised during the 2009 financial year.

FREE SHARE GRANT

At 12 May 2009, 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. The Chairman and CEO and members of the Executive Committee have decided to waive the shares granted to them under this plan.

The definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms both of free cash flow and of the trend in ARKEMA's EBITDA compared to a panel of other manufacturers of chemicals.

The main characteristics of the free share grant plans in force are as follows:

	2006 Plan	2007 Plan	2008 Plan 1	2008 Plan 2	2009 Plan	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	10 May 06	10 May 06	
Date of Board of Directors' meeting	4 July 06	14 May 07	13 May 08	13 May 08	12 May 09	
Vesting period	2 years	2 years	2 years	2 years	2 years	
Conservation period	2 years	2 years	2 years	2 years	2 years	
Performance condition	Yes	Yes	Yes	No	Yes	
Number of free shares granted	**150,000**	**125,000**	**135,556**	**44,444**	**184,850**	
to corporate officers: Thierry Le Hénaff	8,000	7,000	14,000	-	14,000	
to the 10 largest beneficiaries *	30,500	21,700	44,170	1,830	41,500	
Number of free shares						
In circulation at 1 January 2008	143,315	125,000	-	-	-	268,315
Granted	-	-	135,556	44,444	-	180,000
Cancelled	2,210	995	-	-	-	3,205
Definitively granted	141,105	-	-	-	-	141,105
In circulation at 31 December 2008	**0**	**124,005**	**135,556**	**44,444**	**0**	**304,005**
In circulation at 1 January 2009	-	124,005	135,556	44,444	-	304,005
Granted	-	-	-	-	184,850	184,850
Cancelled	-	36,405	3,350	2,100	49,000 **	90,855
Definitively granted	-	87,600	-	-	-	87,600
In circulation at 31 December 2009	**-**	**0**	**132,206**	**42,344**	**135,850**	**310,400**

* *Employees who are not corporate officers of Arkema S.A. or any other Group subsidiaries.*
** *Waived by the Chairman and CEO and members of the Executive Committee.*

The 2007 plan was covered by the grant of existing shares on 15 May 2009. The 2008 and 2009 plans will also be covered by the grant of existing shares.

EXPENSE IN THE FINANCIAL YEAR IN RESPECT OF THE 2007 TO 2009 PLANS

The grant of shares in respect of the 2007 plan led to recognition in the 2009 exceptional items of a net expense of €0,5 million (€1.7 million expense compensated for by a €1.2 million reversal of provision).

At 31 December 2009 the provision relating to the 2008 plan was increased by €0.9 million. Furthermore, a new provision was recorded in respect of the 2009 plan for an amount of €1.0 million.

11. 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.

11.1 COMMITMENTS GIVEN

Arkema S.A. and Arkema France have signed a multi-currency syndicated credit facility in a maximum amount of €1,100 million up to 31 March 2011, €1,094 million up to 31 March 2012 and €1,049 million up to 31 March 2013. Arkema S.A. has provided the banks with joint guarantees of the obligations of the other borrowers (Arkema France) in respect of this credit facility.

At 31 December 2009, an amount of €315 million was used under this credit facility (€405 million in 2007 and €410 million in 2008) and was wholly drawn by Arkema France S.A.

11.2 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.

11.2.1 The Indemnities extended by Total in respect of certain antitrust litigation

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States of America and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. the indemnities, the principal terms of which can be described as follows:

SUBJECT-MATTER OF THE INDEMNITIES

By an agreement dated 15 March 2006 (the ***Arkema European Indemnity***), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 (the ***Arkema U.S. Indemnity***), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 (the ***Arkema Delaware Indemnity***), to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of US$17 million under the Arkema Delaware Indemnity. At 31 December 2009, the residual amount covered by this indemnity amounts to US$876 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (the ***Supplemental Arkema Delaware Indemnity***) covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the ***Indemnities*** and individually as an ***Indemnity***.

LIABILITIES NOT COVERED BY THE INDEMNITIES

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

PARTICIPATION OF TOTAL IN THE MANAGEMENT OF LITIGATION COVERED BY THE INDEMNITIES

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc., as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

AMOUNT OF THE INDEMNIFICATION

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €229 million being received from Total S.A. (paid directly to Arkema France S.A., the indemnities granted by Total also benefit 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.

11.2.2 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.

11.2.3 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".

12. Employees

The average number of employees by category of personnel is as follows:

• Engineers and managerial	8
• Supervisors and technicians	0
• **TOTAL**	**8**

As they are members or ex-members of the executive committee, their remuneration appears directly on the face of the income statement. For this reason, the remuneration of key management personnel is not covered by a specific note.

20.7 Results of the Company in the last 5 years

Results of the company in the last 5 years (articles 133, 135 and 148 of the decree of 23 March 1967 on commercial companies)

(In millions of euros (unless otherwise indicated)) Type of disclosures	2005	2006	2007	2008	2009
I - Financial position at year end					
a) Share capital	0	605	605	605	605
b) Number of shares issued	4,000	60,453,823	60,453,823	60,454,973	60,454,973
II - Operations and results					
a) Sales (excluding VAT)	None	2	6	7	8
b) Income before tax, depreciation, impairment and provisions	0	24	174	69	224
c) Income taxes	-	-	19	30	48
d) Employee legal profit sharing	-	-	-	-	
e) Income after tax, depreciation impairment and provisions	0	18	121	94	20
f) Amount of dividends distributed	-	-	46	36	not available
III - Earnings per share *(in euros)*					
a) Income after tax but before depreciation, impairment and provisions	Immaterial	0.39	3.19	1.63	4.49
b) Income after tax, depreciation, impairment and provisions	Immaterial	0.30	2.01	1.55	0.33
c) Net dividend per share	-	-	0.75	0.60	not available
IV - Employee data					
a) Number of employees	-	8	8	8	8
b) Total payroll	-	1	3	5	3
c) Amounts paid to employee benefit bodies in the year	-	1	1	2	1

21 Additional information

21.1 Share capital

21.1.1 Amount of share capital (article 6 of the Articles of Association)

As of the date of this reference document, the Company's share capital is €604,549,730 divided into 60,454,973 fully paid up shares of a single category.

21.1.2 Form and transfer of shares (article 7 of the Articles of Association)

Shares may be held in registered or bearer form as required by the shareholder and providing that there are no legal or regulatory stipulations to the contrary.

The shares are freely negotiable. They are registered in an account and are transmitted by a transfer from one account to another, under the conditions of the applicable laws and regulations.

21.1.3 Securities not giving access to the Company's capital

As of the date of this reference document, there are no securities other than equity securities.

21.1.4 Treasury shares

At 31 December 2009, the Company held 407 Arkema shares.

In application of article L.225-211 of the *Code de commerce*, the purpose of the information below is (i) to inform Arkema's shareholders of the completion of the share buy-back operations as part of the share buy-back program approved by the annual general meeting of 15 June 2009, and (ii) to present the new buy-back program on which the Company's annual general meeting of 1 June 2010 will be asked to vote.

This information has been prepared in accordance with articles 241-1 *et seq.* of the *Autorité des marchés financiers* general regulation.

Review of the share buy-back program authorized on 15 June 2009 (2009 Share Buy-back Program)

The annual general meeting of 15 June 2009, having considered the Board of Directors' report, authorized the Board of Directors, in accordance with the provisions of article L. 225-209 of the *Code de commerce* and the 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, to purchase shares in the Company as part of a share buy-back program, the main features of which are as follows:

- maximum purchase price: €30, with the Company's holding as a result of this purchase not exceeding 10% of the share capital;
- duration of this authorization: 18 months;
- the shares may be purchased or transferred at any time 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.

Under this 2009 Share Buy-back Program, these shares may be purchased for any purpose permitted by law, notably the following:

- to implement market practices permitted by the *Autorité des Marchés Financiers* such as (i) purchasing shares in the Company to keep and subsequently tender as consideration for possible external growth operations, acquisitions, mergers, spin offs or asset contributions up to a maximum of 5% of the share capital at the time of the transaction, or (ii) purchasing or selling shares under a liquidity agreement that complies with the code of conduct approved by the *Autorité des Marchés Financiers*, entered into with an investment services provider, and (iii) any market practice that might in the future be permitted by the *Autorité des Marchés Financiers,* or by law;
- to implement and honour obligations and more particularly to allot the shares upon the exercise of rights attached to securities giving immediate or future access to the share capital by whatever means, and to cover the Company's (or one of its subsidiaries') existing obligations in connection with such securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;
- to cover stock option plans granted to employees or executive officers of the Company or its group;
- to grant free shares to employees or executive officers of the Company or its Group under the conditions set out in articles L. 225-197-1 *et seq.* of the *Code de commerce*;

- to propose employees to purchase shares, directly or through an employee share ownership plan, under the conditions set out by law and particularly articles L. 443-1 of the French Labor Code;
- to reduce the Company's share capital.

The Board of Directors of 4 March 2009 decided to implement the share buy-back program subject to authorization by the combined general meeting of 15 June 2009.

Operations completed as part of the 2009 Share Buy-back Program

As at 15 June 2009, when the annual general meeting approved the 2009 Share Buy-back Program, the Company held, directly or indirectly, 407 treasury shares.

The following tables give a summary of the operations carried out as part of the 2009 Share Buy-back Program:

Summary statement as at 26 February 2010	
Number of shares comprising the Company's capital at 15 June 2009	60,454,973
Treasury shares held directly or indirectly at 15 June 2009	407
Number of shares purchased between 15 June 2009 and 26 February 2010	None
Weighted average gross price of shares purchased (in euros)	-
Number of treasury shares at 26 February 2010	407
Number of shares cancelled in the last 24 months	759,567
Accounting value of portfolio *(in euros)*	6,366.62
Market value of portfolio (in euros) based on closing price at 26 February 2010, i.e. €24.84	10,109.88

Summary of transactions carried out through the program between 15 June 2009 and 26 February 2010	Aggregate gross movements		Open positions at 26 February 2010	
	Purchases	Sales/Transfers	Open buying positions	Open selling positions
Number of shares	None	-	None	None
Average price of transaction (in euros)	-	-	None	None
Amounts (in thousands of euros)	-	-	None	None

Breakdown of treasury shares held by ARKEMA by objectives:

As at 26 February 2010, the 407 treasury shares held by the Company were allocated for the purpose of covering Company's plans to grant free shares to its employees and executive officers of the Company and affiliated companies.

Share buy-back program recommended to the annual general meeting of 1 June 2010 (2010 Share Buy-back Program)

ARKEMA's Board of Directors wishes the Company to further have at its disposal a share buy-back program.

To this end, the Board of Directors will recommend to the combined general meeting of 1 June 2010 the cancellation of the 6th resolution voted by the combined general meeting of 15 June 2009 and the authorization for implementation of a new share buy-back program in accordance with the provisions of European Council Regulation n° 2273/2003 dated 22 December 2003 pertaining to the terms of application of European Directive n° 2003/6/EC dated 28 January 2003.

Objectives of the 2010 Share Buy-back Program

As part of the 2010 Share Buy-back Program that will be recommended to the combined general meeting of 1 June 2010, ARKEMA is considering repurchasing own shares or having own shares repurchased for any purpose permitted by law either now or in the future, and notably for the following purposes:

- to implement market practices permitted by the *Autorité des Marchés Financiers* such as (i) purchasing shares in the Company to keep and subsequently tender as consideration for possible external growth operations, acquisitions, mergers, spin-offs or asset contributions up to a maximum of 5% of the share capital at the time of the transaction, or (ii) purchasing or selling shares under a liquidity agreement that complies with the code of conduct approved by the *Autorité des Marchés Financiers*, entered into with an investment services provider, and (iii) any market practice that might in the future be permitted by the *Autorité des Marchés Financiers* or by law;
- to implement and honour obligations and more particularly to allot the shares upon the exercise of rights attached to securities giving immediate or future access to the share capital by whatever

means, and to cover the Company's (or one of its subsidiaries') existing obligations in connection with such securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;

- to cover stock option plans granted to employees or executive officers of the Company or its Group;
- to grant free shares to employees or executive officers of the Company or its Group under the conditions set out in articles L.225-197-1 *et seq.* of the *Code de commerce*;
- to propose employees to purchase shares, directly or through an employee share ownership plan, under the conditions set out by law and particularly articles L.3332-1 *et seq.* of the French Labor Code;
- to reduce the Company's share capital.

Repurchased securities may be cancelled pursuant to the nineteenth resolution adopted by the combined general meeting of 15 June 2009 and in force until 15 June 2011.

Maximum proportion of share capital to be repurchased and maximum number of shares that may be acquired under the 2010 Share Buy-back Program

The maximum proportion of share capital to be repurchased under the 2010 Share Buy-back Program shall be 10% of the total number of shares comprising the Company's share capital (as at 26 February 2010, the total number of shares comprising the share capital was 60.454.973).

In accordance with article L. 225-210 of the French Commercial Code, the number of shares that the Company may hold at any time may not exceed 10% of the shares comprising the Company's share capital on the date in question.

The securities that the Company is considering acquiring are shares.

Maximum unit purchase price authorized

The maximum purchase price would be €45 per share, it being specified that the Board of Directors may adjust the purchase price to take account of the impact on the share price of transactions such as a capitalization of share premiums, reserves or earnings giving rise either to an increase in the par value of the shares or to the issuance and distribution of shares for no consideration, a stock split or reverse stock split, or any other transaction affecting the share capital.

Accordingly, the maximum amount of cash dedicated to the 2010 Share Buy-back Program would be €50 million.

Terms and conditions for the 2010 Share Buy-back Program

The shares may be purchased or transferred at any time, 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 2010 Share Buy-back Program

In accordance with the resolution to be submitted for the approval of the combined general meeting of 1 June 2010, the 2010 Share Buy-back Program would be authorized for a period of 18 months from the date of its approval, namely until 1 December 2011.

21.1.5 Unissued authorized capital, undertakings to issue capital

As of 31 December 2009 there were no securities other than the Company's shares giving access to the Company's capital.

A summary table of the outstanding delegations given to the Board of Directors by the annual general meeting to make capital increases, and of the uses made of these delegations, is given below.

Summary of purpose	Date of annual general meeting	Period of authorization	Maximum authorized nominal value	Use made by the Board of Directors (date)
Delegation of authority granted to the Board of Directors to issue shares in the Company and/or any securities giving access to shares in the Company or one of its subsidiaries, **with** preferential subscription rights *	20 May 2008	26 months	€120 million €500 million (debt securities)	None
Delegation of authority granted to the Board of Directors to issue shares in the Company and/or any securities giving access to shares in the Company or one of its subsidiaries, **without** preferential subscription rights *	20 May 2008	26 months	€120 million €500 million (debt securities)	None

Summary of purpose	Date of annual general meeting	Period of authorization	Maximum authorized nominal value	Use made by the Board of Directors (date)
Authorization of the Board of Directors in the event of a capital issue with retention of preferential subscription rights of existing shareholders (see 1 above) to increase the number of shares to be issued *	20 May 2008	26 months	15% of the initial issue for each of the issues made under the delegation described above	None
Delegation of powers to the Board of Directors allowing the issue of shares in the Company and other securities giving access to shares in the Company, in consideration for transfers to the Company of shares or securities giving access to shares	20 May 2008	26 months	10% of issued capital	None
Limitation on combined amount under the authorizations listed above *	20 May 2008	26 months	€120 million	None
Delegation of authority to the Board of Directors allowing an increase in the Company's capital through incorporation of reserves, profits or premiums	20 May 2008	26 months	€100 million	None
Delegation of authority to the Board of Directors allowing the issue of shares in the Company reserved for employees subscribing to a company savings plan * and **	20 May 2008 (expired 15 June 2009)	26 months	€20 million	Used at 31 December 2009: None
	15 June 2009	26 months	€20 million	Used at 31 December 2009: None
Authorization given to the Board of Directors to make free allocations of the Company's shares	10 May 2006 (expired 15 June 2009)	38 months	3% of issued capital at 2 June 2006, or €18,136,146	Allocation of 184,850 shares 12 May 2009 Allocation of 180,000 shares (13 May 2008) Allocation of 125,000 shares (14 May 2007) Allocation of 150,000 shares (4 July 2006) Used at 31 December 2009: €6,398,500
	15 June 2009	38 months	3% of issued capital at 15 June 2009, or €18,136,491	Used at 31 December 2009: None
Authorization given to the Board of Directors to issue options to subscribe for or purchase Company's shares	10 May 2006 (expired 15 June 2009)	38 months	5% of issued capital at 2 June 2006, or €30,226,911	Allocation of 460,000 options giving the right to subscribe for 460,000 shares (13 May 2008) Allocation of 600,000 options giving the right to subscribe for 600,000 shares (14 May 2007) Allocation of 540,000 options giving the right to subscribe for 540,000 shares (4 July 2006) Used at 31 December 2009: €16,000,000
	15 June 2009	38 months	5% of issued capital at 15 June 2009, or €30,227,486	Used at 31 December 2009: None
Authorization for the Board of Directors to reduce the share capital by cancelling shares	5 June 2007 (expired 5 June 2009)	24 months	10% of issued capital	Cancellation of 759,567 shares (12 November 2008) Used in 2009: None
	15 June 2009	24 months	10% of issued capital	Used at 31 December 2009: None

* *New authorizations will be put to the vote of the annual general meeting scheduled for 1 June 2010 (for further information, please refer to the "Draft resolutions proposed to the combined general meeting on 1 June 2010" given in annex 4 of this reference document).*

** *The Board of Directors meeting on 20 January 2010 decided to launch a capital increase reserved for Group's employees, the details of which were set during its meeting on 3 March 2010. The subscription price was set at €20.63 per share of a €10 par value, with possession on 1 January 2009. This price corresponds to the average of the opening price during the 20 trading days prior to the Board's meeting, minus 20% discount. The subscription period took place from 10 March 2010 until 24 March 2010 included. In application of article 14 of the Autorité des marchés financiers instruction, Arkema S.A. released on 8 March 2010 an information available on the Company's web site, detailing the conditions of this operation.*

At 31 December 2009, the Company's capital, which was €604,549,730, in 60,454,973 shares, was subject to an increase of 1,580,464 shares resulting from the exercise of 1,580,464 options, taking account of subscription options cancelled during the year, giving potential maximum dilution of 2.61%. There are no other securities giving access to the Company's capital either immediately or in the future.

See section 17.5.4 of this reference document for a description of these options.

21.1.6 Capital covered by an option

As of the date of this reference document, and other than the stock option plans described in section 17.5.4, to the Company's knowledge, no option structure exists that could affect the Company's share capital.

21.1.7 History of the Company's share capital over the past 3 years

The Company's shares have been listed on Euronext Paris stock exchange since 18 May 2006. The breakdown of the Company's share capital at 31 December 2009, 31 December 2008 and 31 December 2007 is given in section 18.1. of this reference document.

21.2 Memorandum and Articles of Association

21.2.1 The Company's corporate purpose (article 3 of the Articles of Association)

The Company's corporate purpose 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.

21.2.2 Members of the Board of Directors and management bodies

Provisions relating to the Board of Directors and management bodies are described in sections 15.1 to 15.3 of this reference document.

21.2.3 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.

21.2.4 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.

21.2.5 Amendments to shareholders' rights

In accordance with applicable laws, all amendments to the Articles of Association are subject to approval by an extraordinary general meeting duly constituted under the quorum and majority requirements provided by the applicable laws and regulations.

21.2.6 General meetings

Convening notice (article 16.1 of the Articles of Association)

General meetings are called under the conditions provided by the applicable laws and regulations.

Place of meeting (article 16.2 of the Articles of≈Association)

Meetings are held at the registered office or at any other place indicated in the notice of meeting.

Admission to general meetings (article 16.3 of the Articles of Association)

In accordance with the applicable laws and regulations, all shareholders, regardless of the number of shares they own, have the right to attend general meetings and take part in the deliberations, or to be represented if it can be established, in legal and regulatory conditions, that the shares are registered in their name or in the name of an authorized intermediary on their behalf in application of the seventh paragraph of article L.225-1 of the *Code de commerce*, no later than three business days prior to the annual general meeting at 0:00 a.m., Paris time, either in the registered share accounts held by the Company, or in bearer securities accounts held by the authorized intermediary.

The registration or accounting entry of the shares in bearer securities accounts held by the authorized intermediary shall be evidenced by a certificate of participation issued by the intermediary holding the account under applicable legal and regulatory conditions.

Exercise of voting rights (article 16.4 of the Articles of Association)

As from the time the meeting is called, any shareholder may request from the Company in writing a paper absentee ballot, or, if the Board of Directors provides for this option in both the announcement and notice of meeting, an electronic absentee ballot. Such requests must be delivered to or received at the registered office of the Company no later than six days before the date of the meeting. The Board of Directors has the power to reduce or waive this period.

Paper absentee ballots must be delivered to or received by the Company at least three days before the date of the general meeting. Electronic absentee ballots may be delivered to or received by the Company until 3:00 p.m., Paris time, on the eve of the general meeting. The Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive this period.

Representation at general meetings (article 16.5 of the Articles of Association)

Shareholders may be represented at general meetings by their spouse or by another shareholder or, if they are not domiciled in France, by an intermediary registered on their behalf, in accordance with the applicable laws and regulations.

Shareholders that are legal entities attend meetings through their legal representatives or any proxy appointed for this purpose.

Any member of the meeting who wishes to be represented by proxy shall send a proxy form to the Company, either on paper, or, if the Board of Directors provides for this option in both the announcement and convening notice, in electronic format, at least three days before the meeting. However, the Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive such notice periods and to accept proxy forms that do not fall within this limit.

Proxies in electronic format may be filed or received by the Company until 3:00 p.m., Paris time, on the eve of the general meeting. The Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive this period.

Use of telecommunications means (article 16.6 of the Articles of Association)

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 *Code de commerce*, shall be deemed present for the purposes of calculating quorum and majority.

Chair of general meetings (article 17.1 of the Articles of Association)

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 at general meetings (article 17.2 of the Articles of Association)

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.

Voting rights, double voting rights (article 17.3 of the Articles of Association)

Subject to the provisions set forth below, each member of the meeting is entitled to as many voting rights and votes as the number of shares he owns or represents, providing that all payments due for such shares have been met.

However, double voting rights are conferred on all fully paid up shares in registered form that have been registered in the name of the same shareholder for at least 2 years, under the conditions applicable by law and by regulations.

Furthermore, in the event of a capital increase by capitalization 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 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 17.4xof the Articles of Association)

In a general meeting, no shareholder may, directly or through a proxy, express more than 10% of the total voting rights attached to the Company's shares, taking into account single voting rights attached to shares that he directly or indirectly holds and to the powers conferred to him. However, if such a shareholder also holds personally or as a proxy double voting rights, the 10% limit may be exceeded, taking into account only the additional voting rights resulting therefrom, and the combined voting rights expressed shall not exceed 20% of the total voting rights attached to the Company's shares.

In application of the foregoing provisions:

- the total number of voting rights attached to the Company's shares that is taken into consideration is calculated as of the date of the general meeting and the shareholders are notified thereof at the beginning of such general meeting;
- the number of voting rights held directly and indirectly means those voting rights attached to shares to which a natural person holds title, either personally or jointly, or through a company, group, association or foundation, and those that are attached to the shares held by a company that is controlled, within the meaning of article L. 233-3 of the *Code de commerce*, by another company or by a natural person, association, group or foundation;
- a shareholder's proxy returned to the Company without stating the name of the proxy is subject to the foregoing limitations. However, such limitations do not apply to the chairman of a general meeting who is voting by virtue of all such proxies combined.

The limitations provided in the foregoing paragraphs have no effect in calculating the total number of voting rights, including double voting rights, attached to the Company's shares and which must be taken into account in applying the legal, regulatory or statutory provisions providing for specific obligations by reference to the number of voting rights existing in the Company or the number of shares having voting rights.

The limitations set forth above shall lapse, without any need for a new resolution by an extraordinary general meeting, whenever a natural person or a legal entity, acting separately or in concert with one or more natural persons or legal entities, should come to hold at least two thirds of the total number of shares in the Company following a public offering for all of the Company's shares. The Board of Directors then recognizes that the limitations have lapsed and carries out the related formalities to amend the Articles of Association.

21.2.7 Clauses liable to have an effect on control of the Company

Subject to the granting of double voting rights to any shareholder who owns fully-paid shares and for which said shareholder must prove registered ownership for at least 2 years (article 17.3 of the Articles of Association) and to the limitation on voting rights (article 17.4 of the Articles of Association), no provision of the Articles of Association can delay, defer or prevent a change of control over the Company.

The clauses pertaining to double voting rights and limitations on voting rights that are liable to have an effect on control of the Company are set out in section 21.2.6 of this reference document.

21.2.8 Identification of the 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 providing 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 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 Penal 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 reveal 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 reveal the identity of the owners of these securities and the number of securities of each such owner under the conditions indicated above. When a person who has received a request in accordance with the foregoing provision fails to provide the information thus requested within the time specified by laws and regulations, or has provided incomplete or erroneous information either on his own capacity, or on the owners of the securities, or on the number of securities held by each, the shares or securities giving immediate or future access to the share capital and for which that person was registered shall be disqualified for voting purposes at any general meeting that may be held until the date on which all such information is made accurate, and payment of the corresponding dividend shall be postponed until such date.

Moreover, in the event that a registered person should knowingly fail to comply with the above provisions, the court having jurisdiction in the territory of the Company's registered office may, at the request of the Company or of one or more shareholders holding at least 5% of the share capital, partially or completely disqualify the questionable shares from voting and potentially from receiving the dividend, for a total of no more than 5 years.

Furthermore, without prejudice to the disclosure requirements set forth in article 8.2 of the Articles of Association, the Company may ask any legal entity that holds shares in the Company for more than one-fortieth of the share capital or voting rights to disclose the identity of persons who directly or indirectly hold more than one-third of the share capital or of the voting rights which are liable to be exercised at general meetings of such legal entity.

21.2.9 Crossing of thresholds (article 8.2 of the Articles of Association)

In addition to the legal obligation to notify the Company of their holding of certain percentages of the share capital or voting rights, any natural person or legal entity, acting alone or in concert, that shall come to own, within the meaning of articles L.233-9 and L.233-10 of the *Code de Commerce*, directly or indirectly, 1% or more of the share capital or voting rights, is required to notify the Company thereof by registered letter with return receipt stating the total number of shares, voting rights and securities giving future access to the capital and of voting rights attached thereto that it holds, alone or in concert, directly or indirectly, within five trading days from the date on which it crosses this threshold.

Above this 1% threshold and up to 33.33%, 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 so requested at a meeting by one or more shareholders separately or 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.

22 Significant contracts

22.1 Significant contracts

At the date of this reference document, the Company does not anticipate to modify during the year the agreements detailed in this section.

22.1.1 Contracts of fundamental importance for the Group or for a BU

At BU, or even Group level, the agreements described below are of fundamental importance, particularly in terms of supplies of raw materials or energy resources, profit margins, transport capacity or the setting-up of establishments in attractive markets.

Agreement with EDF relating to the supply of electricity to chlorine-producing plants in France (1995-2010)

In an agreement entered into with EDF on 21 December 1995 and amended in July 2005 (the Agreement), Arkema France negotiated specific terms for the price indexation of electricity delivered to its four chlorine-producing plants (Fos-sur-Mer, Jarrie, Lavera and Saint-Auban) until the end of 2010. The competitiveness of the prices negotiated by Arkema France can be explained, in particular, by the duration of the commitments entered into, the substantial volumes of electricity purchased annually (electricity being the raw material for electrolysis) and a very specific consumption profile of the chlorine-producing sites, namely the constant rate of consumption (24 hours a day, 365 days a year) which provides synergies with electricity produced from nuclear power. Arkema France also agreed to reduce its consumption of electricity for short periods at the request of EDF and has waived its rights to electricity from hydro-electric power in favor of EDF.

Implementation of the rectificative Finance Act n° 2005-1720 of 30 December 2005 made it possible to create, on 12 May 2006, a consortium consisting of seven "electricity intensive" industrial companies including Arkema France.

This consortium, called Exeltium, is a *société par actions simplifiée* (simplified joint stock company) the main purpose of which is the purchase and resale of electricity under long-term contracts, including invitations to tender, negotiation and management of contracts throughout their term.

On 5 April 2007, Exeltium and the EDF Group signed an industrial partnership contract for the long-term supply of electricity. This contract defines the terms and conditions of volumes, prices and the sharing of industrial risk with respect to this long-term electricity supply. The start-up of the EXELTIUM project now requires the actual implementation of the EXELTIUM consortium financing. In any event, ARKEMA does not expect to receive any part of its supplies of electricity under the conditions provided for under this partnership agreement until the Agreement expires at the beginning of 2011.

Industrial agreement with EDF signed on 21 December 1995 and amended in 2005 relating to the supply of electricity to non-chlorine producing sites in France

Elf Atochem (now known as Arkema France) reserved electricity supplies from EDF for its non-chlorine producing 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 would cover the electricity consumption of the non-chlorine producing sites of the former Elf Atochem France and its subsidiaries. This agreement was split into two between Total Petrochemicals France and Arkema France by an amendment dated 23 September 2005, which set out the rights and obligations of each party for the 15 years left to run. Since the liberalization of energy markets, prices are negotiated by mutual agreement with EDF based on market prices.

Agreement with Total Exploration Production France regarding the supply of standard hydrogen sulfide

Historically, the thiochemicals activities have operated on the Lacq site due to the local availability of hydrogen sulfide (H_2S) at low cost. Hydrogen sulfide, which is a key raw material in thiochemicals, is present in significant proportion in the gas at Lacq.

On 9 August 2002, Arkema France entered into an agreement for the supply of hydrogen sulfide with Elf Aquitaine Exploration Production France. This agreement took effect on 1 January 2003. Under the terms of this agreement, Total Exploration Production France (TEPF), formerly named Elf Aquitaine Exploration Production France, supplies acid gas rich in hydrogen sulfide via pipelines to the Arkema France units located at Lacq (France). The agreement was entered into for an initial period of 3 years. It is tacitly renewable for periods of one year.

EDA services 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 signed on 15 March 2006 with retroactive effect from

1 January 2005, 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. Arkema France pays TPF a remuneration calculated on the basis of a formula including actual costs and a fixed contractual remuneration supplement based on TPF's fixed costs. The agreement was concluded for an initial term of 8 years for Arkema France and 10 years for TPF. It is tacitly renewable for periods of one year.

Agreement for the production of hydrofluoric acid and Forane® F22 for Daikin on the Changshu site

In 2002, the Group started production of Forane® F22 at its unit in Changshu near Shanghai. The production of Forane® F22 is backed up by the upstream production of hydrofluoric acid (HF). The Group shares this production of Forane® F22 with the Japanese company Daikin pursuant to Heads of Agreement signed on 30 July 1998. This agreement provides for Daikin to have reserve capacity and to have access to the supplies of hydrofluoric acid necessary for its production. Following an amendment to the contract made in 2009, the amounts payable by Daikin in consideration of this are calculated on the basis of a Forane® F-22 market price, and the depreciation established to cover Daikin's share of the investment in the facilities. Initially, the Group was in fact the only investor in the production facilities. In order to obtain a reserve capacity, Daikin granted the Group various loans.

VCM contract for river transport by barge on the Rhône River

By a new long-term contract which commenced on 1 January 2009 Arkema France agreed with Compagnie Fluviale de Transports de gaz (CFT gaz) the terms governing the transport of vinyl chloride monomer (VCM) from Fos-sur-Mer and Lavera to Saint-Fons by means of three motorized barges. This contract stipulates a minimum tonnage for transport. Its economic importance for the Group is fundamental since it enables the transportation of VCM in accordance with high safety standards and on economically favorable terms.

Industrial services supply contracts on the sites acquired from The Dow Chemical Company beginning 2010

As part of the acquisition of certain acrylic assets in North America from The Dow Chemical Company, ARKEMA has concluded or taken over a number of industrial services contracts regarding the Clear Lake site producing acrylic acid and esters, and the Saint Charles and Torrance sites producing acrylic latex.

22.1.2 Agreements illustrating situations of industrial dependence

In certain cases, the supply of certain products or the geographic locations on a specific market can prove to be particularly dependent on the terms contained in a number of agreements. The agreements mentioned below illustrate such situations of industrial dependence.

Supply of ethylene (C_2)

Pursuant to a long-term supply agreement entered into on 15 March 2006 and commencing on 1 May 2006, Total Petrochemicals France (TPF), using Petrofina as its agent, agreed to sell and deliver to Arkema France ethylene produced by its steamcrackers at Carling, Feyzin and Lavera, for use at Arkema France's sites and facilities at Carling, Balan, Jarrie, Fos-sur-Mer and Lavera, respectively. The product is delivered to Arkema France's sites and facilities by pipelines belonging to Total S.A. or to the Lyondell Basell group. 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 the International Chemical Information Services (ICIS).

Supplies of propylene (C_3)

Pursuant to a long-term agreement for the supply of propylene entered into on 15 March 2006 and commencing on 1 May 2006, TPF and Petroraf, using Petrofina as their agent, agreed to sell and deliver to Arkema France propylene produced by the steamcrackers at Carling and Lavera or from the refinery at La Mède, for use at Arkema France's sites and facilities at Carling (Acrylics) and Lavera (oxo-alcohol production). The product is delivered to Arkema France's sites and facilities mostly by pipeline and in some cases by train. 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.

Butanol purchase agreement (Notre-Dame-de-Gravenchon)

Arkema France announced on 11 March 2009 to its central works council its plan to shut down production of methyl ethyl ketone (MEK) at the La Chambre (France) industrial site, and to dispose of the MEK and butanol marketing and sales assets to Sasol Solvents Germany GmbH. These events took place at the end of 2009, and simultaneously terminated the secondary butanol purchasing contract with TPF.

MMA capacity entitlement contract with Rohm and Haas in the United States

The Group signed a contract with Rohm and Haas in October 2000 to reserve methyl methacrylate (MMA) production capacity in the United States, which was supplemented by two further contracts, signed in 2001 and 2003. Pursuant to these long-term contracts, Rohm and Haas, a subsidiary of The Dow Chemical Company since 2009, supplies the Group with significant quantities of MMA. These contracts represent the Group's only source of MMA supply in the United States.

Acrylic monomer and acrylic latex supply contracts taken over by ARKEMA as part of its acquisition of certain acrylic assets from The Dow Chemical Company in North America

As part of its acquisition of certain acrylic assets from The Dow Chemical Company in North America, ARKEMA has concluded or taken over a number of acrylic monomer and acrylic latex supply contracts with various companies. These contracts represent a significant part of the sales of ARKEMA's Acrylics and Emulsion Systems BUs in North America.

22.1.3 Agreement representing significant income

The agreements described below represent a significant source of sales for the Group.

Contract between Arkema Inc. and Novus for the supply of 3-methyl thiopropionaldehyde (MMP)

Atofina Chemicals, Inc. (now known as 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, Texas (United States). Under the terms of this contract, Atofina Chemicals, Inc. built an MMP production unit on behalf of Novus International, Inc., which is operated by and receives its feedstock from Atofina Chemicals, Inc.

Contract between ARKEMA and subsidiaries of Total S.A. for the supply of acrylic acid and acrylic derivatives

The Acrylics BU supplies acrylic acid and acrylic derivatives (particularly esters), as well as phthalic anhydride, to various subsidiaries of Total S.A. These supplies represent a major part of the sales of the Acrylics BU and contribute substantially to its profits. In the case of the acid and the acrylic derivatives, these supplies have been secured by an agreement with a term of five (5) years entered into with Total S.A. subsidiaries on 8 March 2006.

Contract for the supply by Coatex of dispersants to the Omya group

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

22.2 Guarantees and indemnities from the Total Group

In connection with the Spin-Off of Arkema's Businesses in 2006, Total S.A. and certain Total S.A. companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which have ceased in the majority of cases, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described in note 27 to the consolidated financial statements at 31 December 2009 featured in chapter 20 of this reference document. Moreover, as part of the Total Contribution 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.

23 Information provided by third parties, statements by experts and declarations of interest

None.

24 Documents available to the public

24.1 Place where documents and information relating to the Company may be consulted

All corporate documents of Arkema S.A. that are required to be made available to shareholders may be consulted at the Company's registered office.

24.2 Annual document prepared in accordance with articles 222-7 and 221-1 of the general regulations of the *Autorité des marchés financiers*

In accordance with articles 222-7 and 221-1 of the general regulations of the *Autorité des marchés financiers*, the following list details the information published or made public by Arkema S.A. over the last twelve months.

List of press releases

Press releases are available on the Company's website (www.finance.arkema.com).

Date	Title
February 2009	
02.02.2009	CECA expands its activities in the filtration sector with the acquisition of Winkelmann Mineraria
06.02.2009	ARKEMA announces the acquisition of American company Oxford Performance Materials
09.02.2009	ARKEMA sells its vinyl compounding activity in Vanzaghello, Italy, to Industrie Generali spa
12.02.2009	An Investorsight/IFA study highlights ARKEMA's best practices in terms of corporate governance
19.02.2009	Dyneon and ARKEMA have entered into a long-term agreement for the supply of HCFC-22 in Europe
March 2009	
05.03.2009	ARKEMA: 2008 full year results
11.03.2009	Proposed closure of methyl ethyl ketone production at the La Chambre industrial site
Avril 2009	
22.04.2009	Registration of 2008 Reference Document
May 2009	
04.05.2009	ARKEMA continues to refocus its Functional Additives business
12.05.2009	ARKEMA announces restructuring of its North American operations
13.05.2009	ARKEMA: 1st Quarter 2009 Results
18.05.2009	Proposed appointment of Mr Marc Pandraud as Director of ARKEMA
June 2009	
15.06.2009	ARKEMA Annual General Meeting on 15 June 2009
16.06.2009	ARKEMA has reached an agreement to sell its aluminum chloride business
25.06.2009	Proposed consolidation of the Methyl Methacrylate/Polymethyl Methacrylate activity
26.06.2009	ARKEMA rewarded for the third consecutive year with AGEFI *Grands Prix du Gouvernement d'Entreprise*
July 2009	
02.07.2009	Appointments at ARKEMA
28.07.2009	ARKEMA invests in Specialty Acrylic Polymer production in China through its subsidiary Coatex

Date	Title
August 2009	
03.08.2009	ARKEMA to Buy Certain Acrylates and Latex Assets From The Dow Chemical Company in North America
03.08.2009	ARKEMA: 2nd quarter 2009 results
September 2009	
01.09.2009	Philippe Chartres appointed Managing Director of ARKEMA's Thiochemicals business unit
02.09.2009	Proposed reorganization of Saint-Auban industrial site
17.09.2009	ARKEMA to build Carbon Nanotube pilot plant in France construit en France
October 2009	
26.10.2009	ARKEMA increases production capacity at its Calvert City Kynar® PVDF plant
November 2009	
06.11.2009	Proposed closure of a PVC production unit on ARKEMA's Balan site
10.11.2009	Appointments to ARKEMA's Board of Directors
10.11.2009	ARKEMA: 3rd quarter 2009 results
13.11.2009	Decision from the European Commission regarding anti-trust practices in the heat stabilizer market
December 2009	
17.12.2009	Chinese company Anhui Hwasu Co., Ltd acquires license to use Arkema PVC production process
January 2010	
11.01.2010	Florence Schlegel appointed General Counsel for the Arkema Group
25.01.2010	Dow Finalizes Sale to ARKEMA of Acrylic Acid, Esters and Specialty Latex Assets in North America
28.01.2010	ARKEMA integrates Acrylics assets purchased from Dow
March 2010	
04.03.2010	ARKEMA: full year results 2009
29.03.2010	ARKEMA announces the sale of its Higher Methacrylates business

Financial presentations

Financial presentations are available on the Company's website (www.finance.arkema.com).

Date	Type of information
05.03.2009	Presentation of 2008 full year results
13.05.2009	Presentation 1st quarter 2009 results
11.06.2009	Presentation – UBS Global Basic Materials Conference
03.08.2009	Presentation 2nd quarter 2009 results
03.08.2009	Presentation Roadshow "ARKEMA's first half 2009 results"
10.11.2009	Presentation 3rd quarter 2009 results
01.12.2009	Presentation – Exane BNP Paribas Mid-Cap Forum
03.12.2009	Presentation – Bank of America Merrill Lynch – European Chemicals Conference
07.12.2009	Presentation – Exane BNP Paribas - European Equity Seminar
07-08.01.2010	Presentation – Oddo Mid Cap Forum
14.01.2010	Presentation – Crédit Suisse - European Mid Cap Chemicals Conference
04.03.2010	Presentation full year 2009 results

List of BALO publications

BALO publications are available on the BALO website (www.journal-officiel.gouv.fr/balo/)

Date	Type of information
20.04.2009	Convocation – Shareholders Meeting (Notice of Meeting)
25.05.2009	Convocation – Shareholders Meeting (Notice of Meeting)
29.07.2009	Periodical publications – Commercial and Industrial Companies (Annual accounts)
24.03.2010	Convocation – Shareholders Meeting (Notice of Meeting)

Information filed with the registrar of the commercial court of paris

The Registrar's publications are available on the Registrar's website (www.infogreffe.fr)

Date	Type of information
11.06.2009	Decision of Chairman
15.06.2009	Updated Articles of Association
15.06.2009	Minutes of combined general meeting
09.11.2009	Minutes of Board of Directors

Declaration of share transactions made by directors and executive committee members

See section 14.6 of this reference document.

Periodical information

The documents listed below are available on the Company's website (www.finance.arkema.com).

Date	Type of information
16.01.2009	Monthly statement about the number of shares and voting rights at 31 December 2008
09.02.2009	Monthly statement about the number of shares and voting rights at 31 January 2009
11.03.2009	Monthly statement about the number of shares and voting rights at 28 February 2009
08.04.2009	Monthly statement about the number of shares and voting rights at 31 March 2009
21.04.2009	2008 reference document
12.05.2009	Monthly statement about the number of shares and voting rights at 30 April 2009
13.05.2009	Financial information 1st quarter 2009
15.06.2009	Monthly statement about the number of shares and voting rights at 31 May 2009
15.06.2009	ARKEMA Annual General Meeting of 15 June 2009
08.07.2009	Monthly statement about the number of shares and voting rights at 30 June 2009
03.08.2009	2009 half-yearly financial report
11.08.2009	Monthly statement about the number of shares and voting rights at 31 July 2009
10.09.2009	Monthly statement about the number of shares and voting rights at 31 August 2009
09.10.2009	Monthly statement about the number of shares and voting rights at 30 September 2009
10.11.2009	Financial information 3rd quarter 2009
13.11.2009	Monthly statement about the number of shares and voting rights at 31 October 2009
18.12.2009	Monthly statement about the number of shares and voting rights at 30 November 2009
14.01.2010	Monthly statement about the number of shares and voting rights at 31 December 2009
15.02.2010	Monthly statement about the number of shares and voting rights at 31 January 2010
08.03.2010	Information relative to the share capital increase reserved to employees
11.03.2010	Monthly statement about the number of shares and voting rights at 28 February 2010

Other information

Type of information	Date and publication support
Share buy-back statement for week 15.04.2009 to 21.04.2009	www.finance.arkema.com
Share buy-back statement for week 22.04.2009 to 28.04.2009	www.finance.arkema.com

25 Information on shares held by the Company

Information related to the companies acquired by the Group in 2009 is given below.

COMPANIES CONSOLIDATED AS OF THE DATE OF THIS REFERENCE DOCUMENT

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Akishima Chemical Industries Co. Ltd	15 F. Fukoku Seimei Building 15 F 2-2 Uchisaiwaicho 2 – Chiyoda-Ku, Tokyo 100 0011	Japan	Production and marketing of PVC stabilizers	100 *	100	O
Alphacan	Elysée II, 12-18 avenue de la Jonchère 78170 La Celle St-Cloud	France	Production and marketing of PVC pipes and profiles	100 *	100	O
Alphacan B.V.	Taylorweg 4, 5466 AE Veghel Boîte postale 521 5460 AM Veghel	Netherlands	Production and marketing of water pipes	100 *	100	O
Alphacan Doo	Zagrebaka 93, Prigorje Brdoveko, Zagreb	Croatia	Marketing of PVC profiles	100 *	100	O
Alphacan Espana Transformados S.A.U.	Avenidad Republica Argentina s/n apdo. 61 09200 Miranda de Ebro (Burgos)	Spain	Production and marketing of water pipes	99.9 *	99.9	O
Alphacan Perfile S.L.U.	Avenidad Republica Argentina s/n apdo. 61 09200 Miranda de Ebro (Burgos)	Spain	Marketing of PVC profiles	99.9 *	99.9	D
Alphacan S.P.A.	Viale de l'Industria 1N 38057 Pergine Valsugana (Trento)	Italy	Production and marketing of PVC profiles	100 *	100	O
Altuglas International Denmark A/S	Industrivej 16 – 9700 Bronderslev – Nordjylland	Denmark	Production and marketing of PMMA sheets and blocks	100 *	100	O
Altuglas International Limited	6270 Bishop's Court Birmingham Business Park Birmingham B37 7YB	United Kingdom	Marketing of PMMA sheets	100*	100	D
Altuglas International Mexico Inc.	2711 Centerville Rd Suite 400 Wilmington DE 19808	USA	Distribution of PMMA in Mexico and import of finished products (acrylic and plastic)	100 *	100	D
Altuglas International S.A.	89 boulevard National 92250 La Garenne Colombes	France	Production and marketing of PMMA sheets	100 *	100	O
Altuglas International Srl	Via Per Villapia 27 20010 Cazorezzo (Milan)	Italy	Marketing of PMMA	100 *	100	D

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Altuglas Polivar Spa	Via Principe Amedo Milano	Italy	Production and marketing of PMMA sheets and blocks	100 *	100	O
Altumax Deutschland GmbH	Tersteegenstrasse 28 40474 Dusseldorf	Germany	Marketing of PMMA	100 *	100	D
Altumax Europe S.A.S.	89 Boulevard national 92250 La Garenne Colombes	France	Holding company	100 *	100	H
American Acryl L.P.	2711 Centerville Rd Suite 400 Wilmington, DE 19808	USA	Production of acrylic acid	50 *	50	O
American Acryl NA, LLC	2711 Centerville Rd Suite 400 Wilmington, DE 19808	USA	Holding company	50 *	50	H
Arkema	7F Dongqung B/D 1768, Yoido-Dong Youngdeungpo-gu 150-874 Seoul	South Korea	Production and marketing of chemical products	100 *	100	O
Arkema Amériques SAS (formerly called Arkema Finance France)	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Holding company	100	100	H
Arkema Asie SAS (formerly called Société Financière Arkema)	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Holding company	100	100	H
Arkema Beijing Chemical Co. Ltd	n° 1, Wutong Road, Tongzhou Industrial Development Zone Tongzhou District, Beijing	China	Production and marketing of additives	100 *	100	O
Arkema Canada Inc.	1100 Burloak Drive – Suite 107 Burlington – Ontario	Canada	Production of hydrogen peroxide and marketing of chemical products	100 *	100	O
Arkema Changshu Chemicals Co., Ltd	Fluorochemical Industrial Park of Changshu Economic Development Haiyu town 215522 Changshu	China	Production and marketing of organic peroxides	100 *	100	O
Arkema Changshu Fluorochemical Co., Ltd	Fluorochemical Industrial Park of Changshu Economic Development Haiyu town 215522 Changshu	China	Production and marketing of fluorochemical products	100 *	100	O
Arkema China Investment Co., Ltd	Unit 1901, Block B Jianwai n° 39 East third Ring Road Chaoyang District 100022 Beijing	China	Holding company	100 *	100	H
Arkema Co., Ltd	Unit 3112 Tower 1 The Gateway Harbour City 25 Cabtib Riad Tsim Sha Tsui Kowlon Hong Kong	China	Distribution of chemical products	100 *	100	D
Arkema Daikin Advanced Fluorochemicals (Changshu) Co., Ltd	Fluorochemical Industrial Park of Changshu Economic Development – Zone Jiangsu	China	Production and marketing of chemical products	60 *	60	O
Arkema Delaware Inc.	2711 Centerville Road, Suite 400, Wilmington DE 19808	USA	Holding company	100 *	100	H
Arkema Europe	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Holding company	100	100	H

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Arkema France	420, rue d'Estienne d'Orves 92700 Colombes	France	Production and marketing of chemical products	100	100	O
Arkema GmbH	Tersteegenstrasse 28 40474 Düsseldorf	Germany	Production and distribution of chemical products	100 *	100	O
Arkema Holdings Ltd	c/o Briars Group, Standard House, Catteshall Lane, Godalming Surrey GU7 1XE	United Kingdom	Holding company	100 *	100	H
Arkema Hydrogen Peroxide Co., Ltd Shanghai	n° 555, Shuangbai Road Shanghai 201108	China	Production and marketing of hydrogen peroxide	66.67 *	66.67	O
Arkema Inc.	Corporation Service Company 2704 Commerce Drive	USA	Production and marketing of chemical products	100 *	100	O
Arkema Iniciadores S.A. de C.V.	Rio San Javier N° 10 Fraccionamiento Viveros del rio, Tlalnepantla, estato de Mexico CP 54060	Mexico	Marketing of organic peroxides	100 *	100	D
Arkema K.K.	15 F. Fukoku Seimei Building 2-2 Uchisaiwaicho 2 – Chome Tokyo 100 0011	Japan	Distribution of chemicals	100 *	100	D
Arkema Ltd	c/o Briars Group, Standard House, Catteshall Lane, Godalming Surrey GU7 1XE	United Kingdom	Distribution of chemicals	100 *	100	D
Arkema Ltd	N° 2, 15, A Road, Bien Hoa Industrial Zone, Bien Hoa City – Dong Nai Province	Vietnam	Production and marketing of PVC compounds	100 *	100	O
Arkema Mexico S.A. de C.V.	Conjunto Corporativo Tlalnepantla Via Gustavo Baz 2160, Edificio 3 Fracc. Industrial La Loma 54070 Tlalnepantla, Mexico	Mexico	Distribution of chemicals	100 *	100	D
Arkema North Europe B.V.	41 Ottho Heldringstraat 1066 XT Amsterdam	Netherlands	Holding company	100 *	100	H
Arkema Peroxides India Private Limited	1st floor, Balmer Lawrie House 628 Anna Salai Teynampet 60018 Chennai (Madras)	India	Production and marketing of organic peroxides	100 *	100	O
Arkema Pte Ltd	10 Science Park Road, #01-01A, The Alpha Science Park II 117684 Singapore	Singapore	Distribution of chemicals in southeast Asia	100 *	100	D
Arkema Quimica Ltda	2033 Av. Ibirapuera 4° andar 04 029-901 – Sao Paulo	Brazil	Production of organic peroxides and distribution of chemicals	100 *	100	O
Arkema Quimica S.A.	12-7 Avenida de Burgos 28036 Madrid	Spain	Production and marketing of chemical products	99.9 *	99.9	O
Arkema Re Ltd	Millennium House 55 Great Strand StreetDublin 2	Ireland	Captive reinsurance dompany	100 *	100	O
Arkema Rotterdam B.V.	Tankhoofd 10 Haven 32553196 KE Vondelingenplaat	Netherlands	Production and marketing of thiochemical products	100 *	100	O

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Arkema Shanghai Distribution Co. Ltd	D Part, No. 28 Warehouse, n° 500, Fu Te Road (n° 2 East) Shanghai Wai Gao Qiao Free Trade Zone Shanghai	China	Distribution of chemicals	100 *	100	D
Arkema SP Z.o.o	Ul.Marynarska 19 a 02-674 Warsaw	Poland	Production and marketing of chemical products	100 *	100	O
Arkema Srl	Via Pregnana, 63 20017 Rho (Milan)	Italy	Production and marketing of chemical products	100 *	100	O
Arkema Vlissingen B.V.	Europaweg v cittershaven 4389 PD Ritthem	Netherlands	Production and marketing of plastic additives and agrochemicals	100 *	100	O
Arkema Yoshitomi Ltd	4-9 Hiranomachi 2 – Chome-Chuo-Ku 541-0046 Osaka	Japan	Production and marketing of organic peroxides	49 *	49	O
Ceca Italiana Srl	5153 Via Galileo Galilei 20096 Piotello (MI)	Italy	Production and marketing of activated carbon and agents	100 *	100	O
Ceca S.A	89, boulevard National, 92257 La Garenne-Colombes Cedex	France	Production and marketing of specialty chemical products	100 *	100	O
Changshu Haike Chemicals Co. Ltd	Jiangsu Hi-Tech Fluorine Chemical Industrial Park Changshu City Jiangsu Province	China	Research into Fluorochemicals	49 *	49	O
Changshu Resichina Engineering Polymers Co, Ltd	Jiangsu Hi-Tech Fluorine Chemical Industrial Park Changshu City Jiangsu Province	China	Production and marketing of compounds	100 *	100	O
Coatex SAS	35, rue Ampère 69730 Genay	France	Production and marketing of chemical products	100 *	100	O
Coatex Netherlands BV	Middenweg 47 – 4782 PM Moerdijk	Netherlands	Production and marketing of chemical products	100 *	100	O
Coatex Central Eastern Europe sro	Tomasikova 30 Bratislava 821 01	Slovakia	Marketing of chemical products	100 *	100	D
Coatex Korea Inc.	1635-1 Soryong-Dong Kunsan City Jeongbuk Province	Korea	Production and marketing of chemical products	100 *	100	O
Coatex Asia Pacific Inc.	7F Dongqung B/D 17-8Yoido-Dong Youngdeungpo-gu 150-874 Seoul	Korea	Marketing of chemical products	100 *	100	D
Coatex Inc.	547 Ecology Lane SC 29706 Chester	United States	Production and marketing of chemical products	100 *	100	O
Coatex North America Inc.	547 Ecology Lane SC 29706 Chester	United States	Marketing of chemical products	100 *	100	D
Daikin Arkema Refrigerants Asia Ltd	Suite N° 4, 15 F, Sina Plaza,255-257 Gloucester Road Causeway Bay – Hong Kong	Hong Kong	Production and marketing of chemical products	40 *	40	D
Daikin Arkema Refrigents Trading (Shanghai) Co Ltd	Room 702 555 West Nanjing Rd, Jing'an Shanghai	China	Import - Export of fluorine chemical products	40 *	40	D
Delaware Chemicals Corporation	2711 Centerville Road Suite 400, Wilmington, DE 19808	USA	Holding company	100 *	100	H

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Dorlyl SNC	297 rue des Chantiers BP 1152 76063 Le Havre Cedex	France	Production and marketing of vinyl compounds	100 *	100	O
Febex S.A.	Route des Placettes Case Postale 189 1880 Bex	Switzerland	Production and marketing of additives for electroplating and electronics	96.77 *	96.77	O
Luperox Iniciadores S.A. de C.V	Km. 6.5 Carr. Nanchital-Las Choapas El Chapo Ixhuatlan del Sureste 96360 Veracruz - Mexico	Mexico	Production of organic peroxides	100 *	100	O
Maquiladora General de Matamoros S.A. de C.V.	Poniente 2, n 17 Ciudad Industrial 87470 Matomoros Tamaulipas	Mexico	Production and marketing of PMMA sheets	100 *	100	O
Michelet Finance Inc.	Corporate Trust 1209 Orange StreetWilmington DE 19808	USA	Financial services	100 *	100	F
MLPC International	209, avenue Charles Despiau 40370 Rion-des-Landes	France	Production and marketing of additives for the rubber industry	100 *	100	O
ODOR – TECH – LLC	2711 Centerville Road, Suite 400, Wilmington, DE 19808	United States	Marketing of chemical products	100 *	100	
Oxochimie	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Production of butanol and 2-EH	50 *	50	O
Oxford Performance Materials Inc.	Corporation Trust 1209 Orange street Wilmington DE 19808	USA	Very high performance thermoplastic polymers	80 *	84.5	
Ozark Mahoning Company	2711 Centerville Road Suite 400, Wilmington DE 19808	USA	Dormant company	100 *	100	
Plasgom	Poligono Industrial la Torre del Rector c/mar del Caribe 5 08130 Santa Perpetua de Mogoda Barcelona	Spain	Production and marketing of vinyl compounds	99.9 *	99.9	O
Plasticos Altumax S.A.	Botanica 160/162 Poligon Ind. Gran Via Sud 08908 Hospitalet de Llobregat Barcelona	Spain	Marketing of PMMA sheets and other plastic sheets	100 *	100	D
Qatar Vinyl Company Limited	Merqiled -Doha 24440	Qatar	Production and marketing of caustic soda, EDC and VCM	12.9 *	12.9	O
Résil Belgium	Neerhonderd 35 9230 Wetteren	Belgium	Production and marketing of vinyl compounds	100 *	100	O
Résilia Srl	201 Via Milano 21017 Samarate Varese	Italy	Production and marketing of vinyl compounds	100 *	100	O
Resinoplast	Chemin de Saint Léonard 51683 Reims Cedex 2	France	Production and marketing of vinyl compounds	100 *	100	O
Resinoplast North America Srl de CV (1)	Poniente 2 n° 17 Ciudad Industrial Matamoros Tamaulipas 87499 Mexico	Mexico	Production and marketing of vinyl compounds	100 *	100	O

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Seki Arkema	8B 16L, Chilseo Industrial Complex Haman-Gun, Kyoungnam 637-940 Haman-Gun Gyeongnam	South Korea	Production and marketing of organic peroxides	51 *	51	O
Shanghai Arkema Gaoyuan Chemical Co., Ltd	N° 8999, Hunan Gonglu Nanhui County 201314 Shanghai	China	Production of vinyl compounds	93.4 *	93.4	O
Stannica LLC	Corporation Trust company 1209 Orange Street Wilmington, DE 19808	USA	Production and marketing of plastic additives	40 *	40	O
Sunclear	280 avenue de la Marne Marcq-en Barœul	France	Marketing of plastic sheets	100 *	100	D
Turkish Products Inc.	2711 Centerville Road Suite 400, Wilmington, DE 19808	USA	Dormant company	100 *	100	
Viking Chemical Company	380 Jackson Street suite 418 Saint Paul, MN 55101	USA	Production of epoxied vegetable oils	100 *	100	O
Vinilis S.A.	Mallorca, 269 08008 Barcelona	Spain	PVC production	35 *	35	O
Vinylberre	420, rue d'Estienne-d'Orves – 92700 Colombes	France	PVC production	65 *	65	O
Vinylfos	420, rue d'Estienne-d'Orves – 92700 Colombes	France	VCM production	79 *	79	O

(1) Shareholding acquired on 21 January 2009.

COMPANIES NOT CONSOLIDATED AS OF THE DATE OF THIS REFERENCE DOCUMENT

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Arkema International	47, route des Acacias CH-1211 Genève	Switzerland	Management of international staff	100 *	100	O
Arkema Magyarorszag Kft	Bartok Bela 105-113 1115 Budapest	Hungary	Distribution of chemicals	100 *	100	D
Arkema Pty Ltd	Ground Floor 600 Victoria Street VIC 3121 Richmond	Australia	Distribution of chemical products	100 *	100	D
Arkema Quimica Lda	Rua Pero Alvito, 4 a 2400 – 208 Leiria	Portugal	Company in liquidation	100 *	100	D
Arkema Sdn Bhd	16, 1st floor, Jalan, USJ 10/1 Uep Subang Jaya 47620 Selangor	Malaysia	Distribution of chemicals	100 *	100	D
Arkema Sro	U Tleparny 3 15800 Prague	Czech Republic	Distribution of chemicals in the Czech Republic and Slovakia	100 *	100	D
Arkema VE Kimya Sanayi ve ticaret	Ayazaga Mah. Büyükdere Cad. Maslak is Merkezi n°41 K6 34398 Istanbul	Turkey	Distribution of chemicals	100 *	100	D
Arkema A/S	Herlev Hovedgade 195DK 2730 Herlev	Denmark	Company in liquidation	100 *	100	D
Atofina Argentina S.A.	Marcelo T. de Alvear n° 1719	Argentina	Company in liquidation	100 *	100	
Coatex Latin America Comercio de Produtos Quimicos Ltda	Avenue Ibiripuera – 2033 4°Andar Conjunto 43 CE PO4029 901 Sao Paulo	Brazil	Production and marketing of chemical products	100 *	100	O
Difi 1	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Dormant company	100 *	100	
Difi 2	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Dormant company	100 *	100	
Elemica Inc.	Wayne, Pennsylvania (Suburban Philadelphia)	USA	E-commerce distribution of chemical products	9 *	9	D
Elfa Oxychemie S.A.	C/O Thv AG Ziegelerain 29 5001 Aarau	Switzerland	Marketing of hydrogen peroxide	100 *	100	D
Exeltium	79, avenue Raymond Poincaré 75116 Paris	France	Buying and selling of electricity	14.29 *	14.29	
Fosfanil S/A	Av. Ibirapuera N° 2033, 4° andar 04029 – 901 Sao Paulo	Brazil	Company in liquidation	96.58 *	96.58	
ImpEl MicroChip Ltd (1)	Ilanot 66, Gat-rimon 49920	Israel	Production of photovoltaic cells	15.08	15.08	O
Mempile Inc.	1313 N Market Street, Suite 5100, Wilmington Delaware 19801	USA	Research and Development	9 *	9	
Polimeri Termoplastici Srl (Politerm)	Via E. Melatello 271 47034 Forlimpoli	Italy	Distribution of plastic sheets	21 *	21	D
SCI agricole de Parapon	La Saline 30600 Vauvert	France	Operation of land at Parapon (Gard)	98 *	98	
Sequoia S.A.S	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Dormant company	100 *	100	

Company name	Registered office	Country	Business	% stake (* = indirect)	% voting rights	Category O: Operational (industrial or provision of services and commercial) D: Distribution H: Holding company F: Financial
Société Alsacienne et Lorraine de Sondage	2 rue Gabriel Péri 54110 Dombasle-sur Meurthe	France	Surveying for salt water sources and rock salt	30.24 *	30.24	O
Société d'études et de réalisation financières (SERF)	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Holding company	100 *	100	H
Société des Fluides Diélectriques	420, rue d'Estienne-d'Orves – 92700 Colombes	France	Distribution of products for the electrical industry	50 *	50	D
Soficar	Route de Lagor 64750 Bidos	France	Production and marketing of various forms of carbon and intermediate products	30 *	30	O
Vetek S.A.	Avenue del Libertador 5480 – Piso 11 (C1426BXP) Buenos Aires	Argentina	Distribution of chemicals	60 *	60	D

(1) Shareholding acquired on 21 September 2009.

26 Annexes

Annex 1 – 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 S.A.

This is a free translation into English of a 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.

Year ended 31 December 2009

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 S.A.

To the shareholders,

In our capacity as statutory auditors of Arkema S.A., and in accordance with 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 for the year ending 31 December 2009.

It is the Chairman's responsability to prepare and submit for the Board of Directors's approval a report describing the internal control and risk management procedures put in place within the Company, and providing the other information required under article L. 225-37 of the French Commercial Code 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 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, it being specified that it is not our role to ascertain the fairness of this other information.

We conducted our work in accordance with French professional standards.

INFORMATION CONCERNING THE INTERNAL CONTROL PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

Our 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:

- gaining 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;
- gaining an understanding of the work involved in the preparation of this information, as well as of 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 procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board in accordance with article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We hereby confirm that the report by the Chairman of the Board of Directors provides the other information required by article L. 225-37 of the French Commercial Code.

Paris-La Défense, 4 March 2010

The statutory auditors

French original signed by

KPMG Audit

Département de KPMG S.A.

Bertrand Desbarrières
Partner

Jean-Louis Caulier
Partner

ERNST & YOUNG Audit

François Carrega
Partner

Valérie Quint
Partner

Annex 2 – Special report by the statutory auditors on regulated agreements and commitments

This is a free translation into English of a 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.

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

Faubourg de l'Arche

11, allée de l'Arche

92037 Paris la Défense Cedex

S.A.S. à capital variable

Commissaire aux comptes

Membre de la Compagnie Régionale de Versailles

ARKEMA S.A.

Year ended 31 December 2009

Special report by the statutory auditors on regulated agreements and commitments

To the shareholders,

In our capacity as statutory auditors of your Company, we hereby report on the regulated agreements and commitments.

Our role is not to ascertain whether any other agreements and commitments exist but to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments notified to us. We are not required to comment as to whether these are beneficial or appropriate. 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.

ABSENCE OF NOTICE OF AGREEMENT OR COMMITMENT

We inform you that we were not advised of any agreement or commitment concluded in the year ended 31 December 2009 that are subject to article L. 225-38 of the French Commercial Code (*Code de Commerce*), other than the commitment approved by the annual general meeting of 15 June 2009 referred to below.

AGREEMENTS AND COMMITMENTS AUTHORIZED DURING THE YEAR ENDED 31 DECEMBER 2009 COVERED BY A SPECIAL REPORT BY THE STATUTORY AUDITORS PRESENTED TO AND APPROVED BY THE ANNUAL GENERAL MEETING OF 15 JUNE 2009

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In accordance with article L. 225-42-1 of the French Commercial Code (*Code de Commerce*), the Board of Directors meeting on 4 March 2009 amended the terms of the contractual indemnity which would be granted to Mr Thierry Le Hénaff in the event of non-voluntary early termination of his mandate.

Following this decision, in the event of non-voluntary early termination of mandate 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 terms of this agreement, already presented to you in our previous special report dated 5 March 2009, took effect on 15 June 2009, the date of the annual general meeting which approved them.

AGREEMENTS AND COMMITMENTS CONCLUDED IN PRIOR YEARS WHICH REMAINED CURRENT IN THE YEAR ENDED 31 DECEMBER 2009

In accordance with the French Commercial Code (Code de Commerce), we were advised that the following agreements and commitments, approved in prior years, remained current in the year ended 31 December 2009.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In addition to the general pension schemes operated for employees of the Group, Mr Thierry Le Hénaff benefits from a supplementary scheme, financed by the Company and offered to certain executives of the Group, provided that the beneficiary is in the employ of the Company when he comes to retire. Your Board of Directors meeting on 4 July 2006 approved the calculation of accumulated benefits vested by the Chairman and Chief Executive Officer in 2006 as part of this supplementary scheme, whereby the Company's pension liabilities relating to the Chairman and Chief Executive Officer correspond, at 31 December 2009, to an annual retirement pension equal to 20.7% of his current annual compensation.

With the company Arkema France S.A.

The multi-currency syndicated credit facility, approved by your combined general meeting on 10 May 2006, signed between Arkema and Arkema France on the one hand and a syndicate of banks including among others Calyon, BNP Paribas, ABN AMRO and Citybank International Plc on the other hand remained current during 2009.

This credit facility is renewable, is for a maximum amount of €1.1 billion, and its purpose in particular is to finance, in the form of drawings and bank guarantees, the Arkema Group's general corporate purposes over an initial period of five years, with a possible extension of a one-year or two-year period. In February 2008, the credit facility was extended until 31 March 2013, for an amount of €1.049 billion.

Other entities of the Arkema Group are authorized to withdraw cash on this credit facility. The credit facility provides situations for early reimbursement, including a change of control over Arkema S.A. (as defined as the holding, by a person acting solely or together, of a direct or indirect ownership interest representing more than one third of the voting rights of Arkema S.A.); should this clause be triggered by a lender, it could lead to early reimbursement and cancellation of the commitments to this lender.

We conducted our work in accordance with the professional standards applicable in France. These standards require that we perform the necessary procedures to verify that the information provided to us is consistent with the documentation from which it has been extracted.

Paris-La Défense, 4 March 2010

The statutory auditors

French original signed by

KPMG Audit		ERNST & YOUNG Audit	
Département de KPMG S.A.			
Bertrand Desbarrières	Jean-Louis Caulier	François Carrega	Valérie Quint
Partner	Partner	Partner	Partner

Annex 3 – Draft agenda of the combined general meeting on 1 June 2010

Resolutions proposed to the ordinary general meeting

- Approval of the Company's financial statement for the year ended 31 December 2009.
- Approval of the consolidated financial statements for the year ended 31 December 2009.
- Allocation of the net income for 2009.
- Special report of the statutory auditors on agreements covered by articles L.225-38 *and seq.* of the French Commercial Code.
- Determination of the overall amount of directors' fees.
- Ratification of the co-option of Ms. Isabelle Kocher as director.
- Appointment of Ms. Claire Pedini as director.
- Appointment of a director representing the employee shareholders.
- Authorization for the Board of Directors to trade shares in the Company.

Resolutions proposed to the extraordinary general meeting

- Delegation of authority granted to the Board of Directors in order to issue shares of the Company and/or any securities giving access to shares of the Company or of one of its subsidiaries, with preferential subscription rights.
- Delegation of authority to the Board of Directors in order to issue, by way of an offer to the public, shares of the Company and/or any securities conferring access to shares of the Company or of one of its subsidiaries, without preferential subscription rights.
- Authorization to be granted to the Board of Directors in order to increase the number of shares to be issued pursuant to the 11th or 12th resolutions with or without preferential subscription right.
- Overall limitation of immediate and/or future authorizations to increase capital.
- Delegation of authority granted to the Board of Directors to conduct capital increases reserved for employees participating in a company savings plan.
- Amendment of article 10.1.2 of the articles of association.
- Amendment of article 10.2 of the articles of association.
- Powers for formalities.

Annex 4 – Draft resolutions proposed to the combined general meeting on 1 June 2010

Resolutions within the authority of the ordinary general meeting

First resolution

(Approval of the annual financial statements for the financial year ended 31 December 2009)

Having considered the Board of Directors' reports and the statutory auditors' general report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting approves the annual financial statements for the financial year ended 31 December 2009, as well as the transactions reflected in such financial statements and summarized in such reports.

Second resolution

(Approval of the consolidated financial statements for the financial year ended 31 December 2009)

Having considered the Board of Directors' reports and the statutory auditors' report on the consolidated financial statements, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting approves the consolidated financial statements for the financial year ended 31 December 2009, as well as the transactions reflected in such financial statements and summarized in such reports.

Third resolution

(Allocation of income for the financial year ended 31 December 2009)

The general meeting, voting under the quorum and majority conditions required for ordinary general meetings, acknowledges that the balance sheet for the financial year ended 31 December 2009 shows a net profit of €19,952,852.71.

It decides, at the proposal of the Board of Directors, to appropriate and allocate such profit, taking into account the 60,454,973 dividend-right shares effective as from 1 January 2009 in existence as at 31 December 2009, and the 2,000,000 dividend-right shares effective as from 1 January 2009 that may be created as part of the share capital increase reserved for employees, totaling a maximum of 62,454,973 shares carrying dividend rights with respect to the financial year ended 2009, as follows:

Profit of the year	€19,952,852.71
Retained earning from previous year	€151,379,823.88
Total	**€171,332,676.59**
Distributed Dividend	€37,472,983.80
Balance allocated to retained earnings	**€133,859,692.79**

Accordingly, a dividend of €0.60 per share shall be paid. It shall be paid in cash on 9 June 2010.

Such payment shall be eligible for the 40% reduction provided for under article 158.3-2° of the French General Tax Code, which is available to those individual taxpayers whose tax residence is in France.

It is reminded that the Company paid the following dividends in the past three years:

(In euros)	2006	2007	2008
Net dividend per share	-	0.75 (1)	0.60 (1)

(1) Amounts eligible for the 40% reduction provided under article 158.3-2° of the French General Tax Code, which is available to those individual taxpayers whose tax residence is in France.

If, at the time of payment of the dividend, the Company holds any treasury shares, or if the number of dividend-right shares effective as from 1 January 2009 created as part of the share capital increase reserved for employees is lower than 2,000,000 shares, the amount corresponding to the unpaid dividend as a result of such shares shall be allocated to "retained earnings".

In accordance with the provisions of article 223 quater of the French General Tax Code, the general meeting acknowledges that no expenses or charges referred to under article 39-4 of said Code were incurred during the year.

Fourth resolution

(Agreements governed by articles L. 225-38 and seq. of the French Commercial Code)

Having considered the statutory auditors' special report referred to under article L.225-40 of the French Commercial Code, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting (i) takes note that no agreement or new commitment has been made during the financial year ended 31 December 2009 other than those approved during the general meeting of 15 June 2009 and (ii) takes due note of the information relating to the agreements entered into and commitments made during preceding financial years.

Fifth resolution

(Determination of the overall amount of directors' fees)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting decides that the overall annual directors' fees allocation amount shall be €470,000. This decision applies to the current financial year and to subsequent financial years until a new decision is made by the general meeting.

Sixth resolution

(Ratification of the co-option of Ms. Isabelle Kocher as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting ratify the Board of Directors' co-option of Ms. Isabelle Kocher as director, replacing Mr. Tidjane Thiam, resigning director, decided by the Board of Directors in its meeting of 9 November 2009.

Ms. Isabelle Kocher shall exercise her functions for the remainder of her predecessor's term of office, *i.e.* until the close of ordinary general meeting called to resolve on the financial statements for the financial year ending 31 December 2010.

Seventh resolution

(Appointment of Ms. Claire Pedini as director)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting appoints Ms. Claire Pedini as director for a period of four years expiring at the close of ordinary general meeting called to resolve on the financial statements for the financial year ending 31 December 2013.

Eighth resolution *

(Appointment of Mr. Patrice Bréant as director representing the employee shareholders)

Approved by the Board of Directors

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting decides, pursuant to article 10.2 of the Company's articles of association, to appoint Mr. Patrice Bréant as director representing the employee shareholders, for a period of four years expiring at the close of the ordinary general meeting called to resolve on the financial statements for the financial year ending 31 December 2013.

Ninth resolution *

(Appointment of Mr. David Quijano as director representing the employee shareholders)

Not approved by the Board of Directors

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting decides, pursuant to article 10.2 of the Company's articles of association, to appoint Mr. David Quijano as director representing the employee shareholders, for a period of four years expiring at the close of the ordinary general meeting called to resolve on the financial statements for the financial year ending 31 December 2013.

Tenth resolution

(Authorization for the Board of Directors to trade shares in the Company)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for ordinary general meetings, the general meeting, authorizes the Board of Directors, with the option to sub-delegate such authorization, in accordance with articles L.255-209 *and seq.* of the French Commercial Code, the General Regulations (*Règlement général*) of the French Financial Markets Authority (*Autorité des marchés financiers*) and of the European Commission Regulation n° 2273/2003 dated 22 December 2003, to purchase or cause to be purchased shares in the Company up to a maximum of 10% of the total number of shares comprising the share capital, it being specified that such 10% limit shall apply to an amount of Company share capital which shall be adjusted, where applicable, to take into account any share capital transactions carried out after this meeting, as follows:

- the maximum purchase price per share may not exceed €45.

  The Board of Directors may however adjust the above-mentioned purchase price in order to take into account the impact on the share price of transactions such an incorporation of premiums, reserves or profits giving rise either to an increase in the par value of the shares or to the creation and allocation of free shares, a stock-split or reverse stock-split, or any other transaction affecting the shareholders' equity;
- the maximum total amount of funds allocated to the carrying out of this share buy-back program may not exceed €50 million;
- purchases made by the Company pursuant to this authorization may under no circumstances increase the Company's holding, whether directly or indirectly, to more than 10% of the shares comprising the share capital;
- the shares purchased and kept by the Company shall have no voting rights and no dividend rights;
- the shares may be purchased or transferred at any time, subject to the conditions and within the limits, particularly as regards volume and price, permitted by applicable laws and regulations on the date of the relevant transactions, by any and all means, including over-the counter, by way of block trades or by way of derivative instruments or warrants traded on a regulated or over-the-counter market, subject to the conditions provided by the market authorities and at the times the Board of Directors or the person acting pursuant to a delegation of the Board of Directors shall deem appropriate.

The shares may be purchased for any purpose permitted by law, either now or in the future, including for the following purposes:

- to implement market practices permitted by the *Autorité des marchés financiers*, such as (i) the purchase of shares in the Company to retain and subsequently deliver further to an exchange or as consideration in connection with any external growth transactions, it being specified that the number of shares acquired with a view to their subsequent delivery in connection with a merger, spin-off or asset contribution transaction may not exceed 5% of its share capital at the time of the acquisition; or (ii) sale or purchase transactions under a liquidity agreement entered into with an investment services provider and complying with the market ethics charter approved by the *Autorité des marchés financiers*; and (iii) any market practice that may in the future be permitted by the *Autorité des marchés financiers* or by law;
- to implement and fulfill obligations and, *inter alia*, to allot shares upon the exercise of rights attached to securities conferring immediate or future access to the share capital of

* *Resolutions 8 and 9: pursuant to article 10.2 of the Company's articles of association, only one position as director representing the employee shareholders is to be filled; as such, only the candidate having obtained the largest number of votes and at least the majority of the votes shall be appointed.*

the Company by whatever means, and to carry out any and all hedging transactions with respect to the Company's (or one of its subsidiaries') obligations in connection with such securities, subject to the conditions permitted by the market authorities and at the times the Board of Directors or the person acting pursuant to a delegation of the Board of Directors shall determine;

- to cover stock option plans granted to employees or directors of the Company or its group;
- to grant free shares of the Company to employees or directors of the Company or its group in accordance with the conditions set forth in articles L.225-197-1 *and seq.* of the French Commercial Code;
- to offer employees to purchase shares, either directly or through a company savings plan (*Plan d'Épargne Enterprise*), in accordance with the terms provided by law and particularly articles L.3332-1 *and seq.* of the French Labor Code;
- to cancel shares for the purpose of reducing the Company's share capital.

Each year, the Board of Directors shall inform the general meeting of all transactions carried out pursuant to this resolution in accordance with article L.225-211 of the French Commercial Code.

The general meeting confers full powers to the Board of Directors, with the option to sub-delegate such powers in accordance with the terms provided by law, to place stock exchange orders, enter into contracts, draw up and amend documents including information documents, fulfill formalities including allocating or reallocating the shares purchased to the various permitted purposes, make declarations to with the *Autorité des marchés financiers* and any other institution, and more generally, do all things necessary.

This authorization is valid for a period of eighteen months with effect from the date of this meeting or until the date of its renewal by an ordinary general meeting prior to expiration of the above-mentioned eighteen-month period. It renders ineffective the unused portion of the sixth resolution of the combined general meeting of 15 June 2009.

Resolutions within the authority of the extraordinary general meeting

Eleventh resolution

(Delegation of authority granted to the Board of Directors in order to issue shares of the Company and/or any securities giving access to shares of the Company or of one of its subsidiaries, with preferential subscription rights)

Having considered the Board of Directors' report and the statutory auditors' special report and acknowledged that the share capital is fully-paid up, the general meeting voting under the quorum and majority conditions required for extraordinary general meetings and in accordance with articles L.225-129-2, L.225-132, L.228-91, L.228-92 and L.228-93 of the French Commercial Code,

Delegates its authority to the Board of Directors, with the option to sub-delegate such authority in accordance with the terms provided by law, to decide the issuance, free of charge or for consideration, and with upholding of the shareholders' preferential subscription rights, of (i) shares of the Company, (ii) securities conferring access by any means, immediately or in the future, to existing shares of the Company, or shares of the Company to be issued and (iii) securities conferring access by any means, immediately or in the future, to existing shares, or shares to be issued, of a company whose share capital is at least 50%-held by the Company, directly or indirectly (the "Subsidiary") and (iv) securities conferring the right to the allocation of debt securities governed by articles L.228-91 of the French Commercial Code, issued free of charge or with consideration and which may be subscribed in cash or by offsetting receivables, it being specified that this delegation shall allow for one or more issuances, as provided under article L.228-93 of the French Commercial Code.

The maximum nominal amount of the share capital increases of the Company to be carried out, immediately or in the future, as a result of all issuances carried out pursuant to this delegation shall be €300 million, it being specified that such amount shall be deducted from the overall limit provided for under the 14th resolution and shall not include the par value of the Company shares to be issued, if applicable, in connection with the adjustments made in accordance with the law and, if applicable, the contractual provisions to protect the holders of rights attached to the securities conferring access to the shares of the Company.

The securities conferring access to shares of the Company or of a Subsidiary issued in accordance with the foregoing may be debt securities, or attached to the issue of such securities, or allow the issue thereof as intermediate securities. The debt securities issued pursuant to this delegation may in particular take the form of subordinated or unsubordinated securities, may be for a fixed-term or perpetual, and be issued either in euros or in currencies or in any monetary units determined by reference to several currencies. The nominal amount of the debt securities issued in accordance with the foregoing may not exceed €500 million or the equivalent value of such amount on the issuance decision date, it being specified (i) that such amount does not include the redemption premium(s) in excess of the par value, to the extent provided for and (ii) that such amount relates to any and all debt security issuances carried out pursuant to the 11th through 13th resolutions submitted to this general meeting, (iii) but that such amount is unaffected by and distinct from the amount of any debt securities the issue of which may be decided or authorized by the Board of Directors pursuant to article L.228-40 of the French Commercial Code. The duration of the bonds, other than as may be represented by perpetual securities, may not exceed 15 years. The bonds may be subject to a fixed or floating interest rate or, with the applicable limits provided by law, be capitalized, and may give rise to the granting of guarantees or security interests or to a repayment, with or without premium, or an amortization, it being said that the securities may also be re-purchased on the market or be included in a takeover or exchange offer by the Company.

The shareholders shall, pro rata the amount of their shares, have a preferential subscription right with respect to the shares and securities issued pursuant to this resolution. The Board of Directors shall have the option to establish, for the benefit of the shareholders, a right to apply for any excess shares or securities issued, pro rata their preferential subscription rights, and within the limit of their applications.

If the subscriptions as of right and, if applicable, for excess shares together do not result in the full subscription of the issuance, the Board of Directors may use, in the order that it deems appropriate, one or more of the following options: (i) limit the issue to the amount subscribed, subject to the issue reaching at least three-fourths of the issue decided, (ii) freely allot all or part of the unsubscribed securities or (iii) offer all or part of the unsubscribed shares to the public, on the French or international market or abroad.

The general meeting acknowledges that, in accordance with the provisions of article L.225-32 of the French Commercial Code, this delegation implies a waiver by the shareholders of their preferential right to subscribe to the shares of the Company to which the securities that may be issued pursuant to this delegation may give right, in favor of the holders of the securities issued pursuant to this resolution.

The general meeting decides that the issues of share subscription warrants (*bons de souscription d'actions*) of the Company may be carried out by way of an offer to subscribe, but also by allocation free of charge to the owners of the existing shares and that, in the event of an allocation free of charge of subscription warrants, the Board of Directors shall have the option to decide that the fractional allocation rights shall not be tradable or transferable and that the shares corresponding to the exercise of such rights shall be sold.

The Board of Directors shall determine the characteristics, amount and terms and conditions of any issuance and of the securities issued. In particular, it shall determine the class to which the securities issued belong and shall, taking into consideration the information set forth in its report, determine the subscription price for such securities, which may or may not include a premium, the way they shall be paid-up, their dividend entitlement date, which may be retroactive, the terms under which the securities issued pursuant to this resolution shall confer access to shares of the Company or of a Subsidiary and, as regards debt securities, their subordination ranking. The Board of Directors shall have the option of charging the expenses of the issuances against the amount of the relevant premiums and deducting from such amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase.

Where applicable, the Board of Directors may suspend the exercise of the rights attached to the securities conferring access, whether directly or indirectly, immediately or in the future, to the share capital of the Company, for a maximum period of three months, and shall take any and all useful measures with regard to the adjustments required to be made pursuant to the law and, where applicable, the contractual provisions in order to protect the holders of rights attached to the securities conferring access to shares of the Company.

In accordance with article L.225-129-2 of the French Commercial Code, the Board of Directors shall have full powers, with the option to sub-delegate such powers in accordance with the terms provided by law, to implement this resolution, including by entering into any agreements for the purpose thereof, in particular in view of the proper performance of any issuance, to proceed, in one or several occurrences, in the amount and at the times it deems appropriate, in France or, where applicable, abroad or on the international market, with the above-mentioned issuances – and to suspend the same, if applicable – and to acknowledge their completion and amend the articles of association accordingly, and to carry out any formalities and declarations and apply for any authorizations as may be necessary for the completion and proper performance of these issuances.

The Board of Directors shall report to the next ordinary general meeting on any use made of this delegation of authority in accordance with the provisions of the law, in particular those set out in article L.225-129-5 of the French Commercial Code.

This authorization shall be valid for a period of 26 months as from the date of this general meeting. As from such date, it renders ineffective the unused portion of the authorization granted by the combined general meeting of 20 May 2008 in its 9th resolution.

Twelfth resolution

(Delegation of authority to the Board of Directors in order to issue, by way of an offer to the public, shares of the Company and/or any securities conferring access to shares of the Company or of one of its subsidiaries, without preferential subscription rights)

Having considered the Board of Directors' report and the statutory auditors' special report and acknowledged that the share capital is fully-paid up, the general meeting voting under the quorum and majority conditions required for extraordinary general meetings and in accordance with articles L.225-129-2, L.225-135, L.225-136, L.228-91, L.228-92 and L.228-93 of the French Commercial Code,

Delegates its authority to the Board of Directors, with the option to delegate such authority subject to the terms provided by law, to decide the issuance, by way of an offer to the public (that is, any offer which includes an offer to the public) as defined in articles L.411-1 *et seq.* of the French Monetary and Financial Code, of (i) shares of the Company, (ii) securities conferring access by any means, immediately of in the future, to existing shares or shares to be issued of the Company, (iii) securities conferring access by any means, immediately or in the future, to existing shares or shares to be issued of a Subsidiary and (iv) securities conferring the right to the allocation of debt securities, issued free of charge or for a consideration, governed by articles L.228-91 *and seq.* of the French Commercial Code, which may be subscribed either in cash, by offsetting receivables, it being specified that this delegation shall, pursuant to articles L.228-93 of the French Commercial Code, allow for one or more issuances.

The general meeting decides to cancel the shareholders' preferential subscription right in respect of such shares and securities.

The maximum nominal amount of the Company share capital increases to be carried out, immediately or in the future, as a result of all issuances carried out pursuant to this resolution shall be €120 million, it being specified that such amount shall be deducted from the overall limit provided for under the 14th resolution and does not include the nominal amount of any Company shares to be issued, if applicable, in respect of adjustments made in accordance with the law and, if applicable, any contractual provisions in order to protect the holders of rights attached to the securities conferring access to shares of the Company.

The securities conferring access to shares of the Company or of a Subsidiary issued in accordance with the foregoing may be debt securities, or be attached to the issue of such securities, or allow the issue thereof as intermediate securities. Access to such securities as well as their redemption, subordination ranking or amortization shall, throughout their existence, be governed by the provisions relating to any securities of same nature issued pursuant to the preceding resolution. The nominal amount of the debt securities thus issued may not exceed €500 million or equivalent value as at the issuance decision date, it being specified that (i) such amount does not include any redemption premium(s) in excess of the par value, to the extent provided for, (ii) this amount shall be deducted from the overall limit of €500 million provided for the issuance of debt securities under the 11th resolution above, (iii) but that such amount shall not be affected by and be distinct from the amount of any debt securities the issue of which may be decided or authorized by the Board of Directors in accordance with articles L.228-40 of the French Commercial Code.

The Board of Directors shall have the option to establish, for the benefit of the shareholders, a right of priority as of right and/or for excess shares allowing for the subscription of shares or securities and shall, in accordance with the terms provided by law, determine the terms and conditions of exercise of such right of priority, which shall not entitle to the creation of tradable rights. Any securities that remain unsubscribed further to such right be included in a public placement in France or abroad, or on the international market.

If the subscriptions, including, if applicable, those of the shareholders, do not result in the full subscription of the issuance, the Board of Directors may limit the amount of the transaction in accordance with the terms provided by law.

The general meeting acknowledges that, in accordance with the provisions of article L.225-132 of the French Commercial Code, this delegation implies a waiver by the shareholders of their preferential right to subscribe to the shares of the Company to which any securities issued pursuant to this delegation may give right, in favor of the holders of the securities issued pursuant to this resolution.

The Board of Directors shall determine the characteristics, amount and terms of any issuance as well as of the securities issued. In particular, it shall determine the class to which the issued securities belong and shall determine, taking into consideration the information set out in its report, their subscription price, which may or may not include a premium, their dividend entitlement date, which may be retroactive and, if applicable, the period or terms under which the securities issued pursuant to this delegation shall confer access to shares, it being specified that:

a) the issue price of the shares shall be at least equal to the minimum amount provided under applicable laws and regulations at the time this delegation is used (on the date hereof, the average weighted share price of the Company's shares over the last three trading days on the Euronext Paris market prior to the date of determination of such price, reduced, as the case may be, by the maximum discount of 5% in accordance with the provisions of articles L.225-136-1° paragraph 1 and R.225-119 of the French Commercial Code), as corrected, if applicable, in order to take into account any difference in the dividend entitlement date;

b) the issue price of the securities conferring access to the share capital of the Company shall be determined so that the amount immediately received by the Company or, in the event of an issuance of securities conferring access to shares of a Subsidiary, by the Subsidiary, plus, as the case may be, any amount that may be received by the Company or the Subsidiary, as the case may be, in the future, be at least equal, for each share issued as a result of the issue of such securities, to the issue price determined in paragraph "a)" above, as corrected, if applicable, in order to take into account any difference in the dividend entitlement date.

The Board of Directors shall have the option of deciding to charge the expenses of the issuances carried out pursuant to this resolution against the amount of the relevant premiums and to deduct from such amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase.

The Board of Directors shall have full powers, with the option to sub-delegate such powers in accordance with the terms provided by law, to implement this resolution, including by entering into any agreements for the purpose thereof, in particular in view of the proper performance of any issuance, to proceed, in one or several occurrences, in the amount and at the times it deems appropriate, in France or, where applicable, abroad or on the international market, with the above-mentioned issuances – and to suspend the same, if applicable – and to acknowledge their completion and amend the articles of association accordingly, and to carry out any formalities and declarations and apply for any authorizations as may be necessary for the completion and proper performance of these issuances.

The Board of Directors shall report to the next ordinary general meeting on any use made of this delegation of authority in accordance with the provisions of the law, in particular those set out in article L.225-129-5 of the French Commercial Code.

This authorization shall be valid for a period of 26 months as from the date of this general meeting. As from such date, it renders ineffective the unused portion of the authorization granted by the combined general meeting of 20 May 2008 in its 10th resolution.

Thirteenth resolution

(Authorization to be granted to the Board of Directors in order to increase the number of shares to be issued pursuant to the 11th or 12th resolutions with or without preferential subscription right)

Having considered the Board of Directors' report and the statutory auditors' special report, and voting under the quorum and majority conditions required for extraordinary general meetings and in accordance with article L.225-135-1 of the French Commercial Code, the general meeting authorizes the Board of Directors, with the option to sub-delegate such authorization subject to the terms provided by law, to decide, within thirty days from the initial issuance subscription closing date, for each issuance decided pursuant to the 11th and 12th foregoing resolutions, to increase the number of shares to be issued, within the limit of 15% of the initial issuance, subject to the limit provided in the resolution pursuant to which the issuance was decided, and at the same price as that retained in the initial issuance.

The Board of Directors shall report to the next ordinary general meeting on any use made of this authorization in accordance with the provisions of the law, in particular those set out in article L.225-129-5 of the French Commercial Code.

This authorization shall be valid for a period of 26 months as from the date of this general meeting. As from such date, it renders ineffective the unused portion of the authorization granted by the combined general meeting of 20 May 2008 in its 11th resolution.

Fourteenth resolution

(Overall limitation of immediate and/or future authorizations to increase capital)

Having considered the Board of Directors' report, and as a consequence of the adoption of the foregoing resolutions, the general meeting, voting under the quorum and majority conditions required for extraordinary general meetings, decides that the maximum nominal amount of any share capital increases carried out pursuant to the delegations granted under the 11th through 13th resolutions, whether immediately or in the future, shall be €420 million, it being specified that such nominal amount shall, if applicable, be increased by the nominal amount of the shares of the Company to be issued in respect of the adjustments made in order to protect the holders of rights attached to the securities conferring access to such shares.

Fifteenth resolution

(Delegation of authority granted to the Board of Directors to conduct capital increases reserved for employees participating in a company savings plan)

Having considered the Board of Directors' report and the statutory auditors' special reports, and voting under the quorum and majority conditions required for extraordinary general meetings and in accordance with articles L.225-129-6, L.228-92, L.225-138 I and II and L.225-138-1 of the French Commercial Code and with articles L.3332-1 *and seq.* of the French Labor Code, delegates its authority to the Board of Directors, with the option to sub-delegate such authority subject to the terms provided by law, to decide to increase the share capital at its sole decision, in one or more occurrences, at times and under terms it shall determine, by issuing shares or securities conferring access to existing shares or shares to be issued of the Company, reserved for employees and former employees of the Company and companies or groups in France and abroad affiliated thereto within the meaning of the applicable regulations, who are members of a company savings plan (*Plan d'Épargne Entreprise*).

The maximum nominal amount of the share capital increase of the Company, immediately or in the future, resulting from all issuances carried out pursuant to this delegation, shall be set at €20 million, it being specified that such maximum amount shall not include the par value or the shares of the Company to be issued, as the case may be, in respect of the adjustments made in accordance with the law and, where applicable, with any contractual provisions in order to protect the holders of rights attached to the securities conferring access to shares of the Company.

If the subscriptions do not result in the full subscription of an issuance of securities, the share capital increase shall be limited to the amount of securities subscribed.

The general meeting decides to cancel, in favor of the employees and former employees referred to in the second paragraph of this resolution, the preferential right of the shareholders to subscribe to the shares or securities conferring access to shares to be issued under this delegation. The general meeting acknowledges that this delegation implies a waiver by the shareholders to their preferential right to subscribe to the shares to which any securities issued pursuant to this delegation may give right.

The general meeting decides that the subscription price for the new shares shall be equal to the average of the trading prices during the twenty trading days preceding the date of the decision determining the opening date of the subscription, less the maximum discount permitted by law on the date of the Board of Directors' decision, it being specified that the Board of Directors shall be entitled to reduce such discount if it deems it appropriate, including in the event of an offer of securities to the members of a company savings plan on the international market or abroad for the purpose of complying with applicable local legal requirements.

The Board of Directors shall have all powers, with the option to sub-delegate such powers subject to the terms provided by law, for the purpose of implementing this resolution, and in particular to:

- determine the characteristics, amount and terms of any issuance of securities;
- decide that the subscriptions may be executed directly by the beneficiaries or via collective bodies;
- determine, in accordance with the provisions laid down by law, the list of companies or groups whose employees and former employees shall be entitled to subscribe to shares or securities issued;
- determine the nature and terms of the share capital increase, as well as the terms and conditions of the issue;
- determine the subscription price for the shares and the duration of the subscription period;
- determine the seniority conditions required for the beneficiaries of new shares or securities resulting from the share capital increase(s) contemplated by this resolution;
- determine the terms and conditions for the issue of shares or securities to be carried out pursuant to this delegation, including their dividend entitlement date and the terms for their payment in full;
- determine the subscription opening and closing dates and collect the subscriptions;
- acknowledge the completion of the share capital increase by the issuance of shares up to the amount of the shares actually subscribed;
- on its sole decision and if it deems it appropriate, charge the expenses of share capital increases against the amount of the premiums relating to such increases and deduct from such amount the necessary amounts so that the legal reserve is equal to one-tenth of the new amount of share capital after each increase;
- do all things necessary to execute and complete the share capital increases, proceed with all formalities subsequent thereto, including the formalities relating to the admission to trading of the securities created, and amend the articles of association in order to reflect such share capital increases, and generally do all things necessary.

This authorization shall be valid for a period of 26 months as from the date of this general meeting. If adopted, it shall render ineffective the unused portion of the authorization granted by the combined general meeting of 15 June 2009 in its 18th resolution.

Sixteenth resolution

(Amendment of article 10.1.2 of the articles of association)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for extraordinary general meetings, the general meeting decides to amend article 10.1.2 of the articles of association in order to delete the paragraph which allowed for the implementation of the staggered renewal of the functions of directors upon expiry of their term of office.

Consequently, article 10.1.2 shall be drafted as follows:

"Subject to the statutory provisions relating to temporary appointments made by the Board of Directors, the term of office of directors shall be four years.

The functions of director shall expire at the close of the ordinary general meeting having resolved on the financial statements for the financial year ended and held in the year during which the term of office expires. Subject to the age limit set forth below, directors shall always be eligible for the renewal of their functions."

Seventeenth resolution

(Amendment of article 10.2 of the articles of association)

Having considered the Board of Directors' report, and voting under the quorum and majority conditions required for extraordinary general meetings, the general meeting decides to amend the seventh paragraph of article 10.2 of the articles of association as set out below, in order to state that the term of office of the director representing the employee shareholders shall be as provided under article 10.1.2 of the articles of association, in accordance with the provisions laid down by law.

The first sentence of the seventh paragraph shall be drafted as follows:

"The term of office of the director representing the employee shareholders shall be that provided under article 10.1.2 above, such functions expiring at the close of the ordinary general meeting having resolved on the financial statements for the financial year ended and held in the year during which such term of office expires."

Eighteenth resolution

(Powers for formalities)

The general meeting hereby grants full powers to the bearer of an original, or a copy or extract from the minutes of this general meeting for the purpose of carrying out all filing, publication or other formalities as may be required.

Annex 5 – Report from the Board of Directors to the combined general meeting of 1 June 2010

We hereby present you with the draft resolutions which we submit for your approval.

Resolutions within the authority of the ordinary general meeting

Approval of the annual financial statements and allocation of income *(1st, 2nd and 3rd resolutions)*

The Board of Directors requests that you approve the financial statements for the financial year ended 2009 as presented in the management report of the Board of Directors, as well as all transactions reflected or mentioned therein. Such financial statements show a net profit of €19,952,852.71.

In the third resolution, we propose to appropriate and allocate such profit, taking into account the 60,454,973 dividend-right shares effective as from 1 January 2009 in existence as at 31 December 2009, and the 2,000,000 dividend-right shares effective as from 1 January 2009 that may be created as part of the share capital increase reserved for employees, totaling a maximum of 62,454,973 shares carrying dividend rights with respect to the financial year ended 2009, as follows:

Profit of the year	€19,952,852.71
Retained earning from previous year	€151,379,823.88
Total	**€171,332,676.59**
Distributed Dividend	€37,472,983.80
Balance allocated to retained earnings	**€133,859,692.79**

Accordingly, a dividend of €0.60 per share shall be paid. It shall be paid in cash on 9 June 2010.

Such payment would be eligible for the 40% reduction provided for under article 158.3-2° of the French General Tax Code, which is available to those individual taxpayers whose tax residence is in France.

It is reminded that the dividends paid in the past three years are as follows:

(In euros)	2006	2007	2008
Net dividend per share	-	0.75 (1)	0.60 (1)

(1) Amounts eligible for the 40% reduction provided under article 158.3-2° of the French General Tax Code, which is available to those individual taxpayers whose tax residence is in France.

If, at the time of payment of the dividend, the Company holds any treasury shares, or if the number of dividend-right shares effective as from 1 January 2009 created as part of the share capital increase reserved for employees is lower than 2,000,000 shares, the amount corresponding to the unpaid dividend as a result of such shares would be allocated to "retained earnings".

In accordance with the provisions of articles L.225-100, you will then be requested, in the second resolution, to approve the consolidated financial statements for the financial year ended 2009.

Related party agreements contemplated under articles L.225-38 *and seq.* of the French Commercial Code *(4th resolution)*

We propose that you approve the continuation of the performance of the agreements contemplated under articles L.225-38 *and seq.* of the French Commercial Code that have already been approved and that are included in a special report of the statutory auditors.

These are (i) a retirement commitment under the complementary pension plan of certain executive employees, among whom the Chief Executive Officer (*Président-directeur général*), (ii) the severance indemnity due in the event of an involuntary departure of the Chief Executive Officer and (iii) the multi-currency syndicated loan agreement entered into in 2006 among Arkema and Arkema France of the first part, and certain banks of the second part, which is renewable and provides for a maximum amount of €1.1 billion.

Determination of the overall amount of directors' fees *(5th resolution)*

In order to take into consideration the increased number of directors within the Board of Directors, a proposal is submitted to you in the fifth resolution to set the annual amount of directors' fees allocated to the Board of Directors at 470,000 euros. The current amount of 360,000 euros was determined by the ordinary general meeting of 10 May 2006.

Board of Directors *(6th through 9th resolutions)*

RATIFICATION OF THE APPOINTMENT BY CO-OPTION OF MS. ISABELLE KOCHER *(6TH RESOLUTION)*

Ms. Isabelle Kocher was appointed by co-option to the position of director during the Board of Directors meeting of 9 November 2009, to replace Mr. Tidjane Thiam, resigning director.

In accordance with article L.225-24 of the French Commercial Code, we propose, under the 6th resolution, that you confirm such appointment by co-option.

Ms. Isabelle Kocher shall exercise her functions for the remainder of the predecessor's term of office, *i.e.* until the close of the ordinary general meeting called to resolve on the financial statements for the financial year ending 2010.

Isabelle Kocher, 42, is Managing Director of Lyonnaise des Eaux since 2007.

She is a graduate of the École Normale Supérieure and an engineer of the Corps des Mines.

She was, inter alia, in charge of the post and telecommunications and defense budgets at the Economy, Finance and Industry Ministry as from 1997. From 1999 to 2002, she was an adviser to the Prime Minister on Industrial Affairs. She joined the Suez Group in 2002 as member of the Strategy and Development Department within which she acted as Central Director in charge of performance and organization until 2007.

APPOINTMENT OF MS. CLAIRE PEDINI TO THE POSITION OF DIRECTOR *(7TH RESOLUTION)*

Under the seventh resolution, we also propose to appoint Ms. Claire Pedini to the position of director for a period of four years expiring at the close of the general meeting called to resolve on the financial statements for the financial year ending 2013.

Claire Pedini, 44, is an Executive Director of Alcatel-Lucent and Head of Human Resources and Transformation. She is a member of Alcatel-Lucent's Management Committee.

She is a graduate of HEC (Hautes Études Commerciales) and holds a Masters in media management from ESCP (École Supérieure de Commerce de Paris).

After having held several finance and management control offices at Total, Claire Pedini was in charge of the Group's financial communications from 1992 to 1994, after having completed the Group's IPO on the New York stock exchange in 1991.

She was then responsible for Total's press service from 1995 to 1997. She joined Alcatel in September 1998 as head of financial communications and relationships with the shareholders. In 2002, she became Head of financial communications and institutional relationships, then Group deputy chief financial officer in February 2004. In January 2006, she was appointed head of human resources and member of Alcatel-Lucent's Executive Committee, then head of human resources and communications in June 2006.

At the proposal of the nominations and compensation committee, the Board of Directors considered, in the course of the review of Ms. Isabelle Kocher and Ms. Claire Pedini's candidacies, that if such resolutions were adopted, they would qualify as independent directors with regard to the criteria established by its interior regulations in accordance with the AFEP/MEDEF recommendations.

APPOINTMENT OF A DIRECTOR REPRESENTING THE EMPLOYEE SHAREHOLDERS *(8TH AND 9TH RESOLUTIONS)*

The Board of Directors noted that, as at 31 December 2009, the Group employees' holdings, within the meaning of article L.225-102 of the French Commercial Code, represented 3.64% of the Company's share capital. As a result, in accordance with article 10.2 of the Company's articles of association, we propose to appoint a director representing the employee shareholders for a period of four years. The following candidacies are submitted to your approval:

- Mr. Patrice Bréant, member of the Supervisory Board of the company collective investment fund (*Fonds Commun de Placement d'Entreprise*) Arkema Actionnariat France and proposed by such fund:

  Born in 1954 in Rouen. Graduate of the Institut National Supérieur de la Chimie Industrielle de Rouen, he holds a doctorate in organic chemical engineering.

  He started his career within the Group in 1983 at the CDF Chimie's Nord Research Center (Centre de Recherches Nord) which became Orkem, as polyethylene formulation and modification research engineer. He then joined the Cerdato de Serquigny in 1990 and then the Technical Polymer department within the Material Study laboratory.

  He has been a member of the Serquigny site works' council and of the Central Works' Council since 1997; he was rapporteur to the research commission of Arkema France's Central Works' Council from 1994 to 2007. He has also been a member of Arkema's European group committee, union representative for Arkema's Serquigny site and CFE-CGC central union representative for Arkema France since 2004.

- David Quijano, Chairman of the Supervisory Board of the company collective investment fund (Fonds Commun de Placement d'Entreprise) Arkema Actionnariat International and proposed by such fund:

  Of Spanish citizenship, born in 1974, he holds a Masters in advanced management and a degree in economics from the University of Deusto, in Spain.

  He began his career at Ernst & Young then joined the bank BBVA before joining Elf Atochem in 1998 as Head of human resources for the Zaramillo site (Spain). In 2002, he became responsible for the administrative department until 2008 when he was appointed head of the Hernani site (Spain).

In accordance with article 10.2 of the Company's articles of association, the candidate among the above-mentioned candidates who obtains the largest number of votes of the shareholders present or represented at the general meeting shall be appointed as director representing the employee shareholders, provided that the resolution relating to his appointment also obtains the majority of favorable votes.

Given the number of shares held by the company collective investment fund "*Arkema Actionnariat France*" (93.4% of the total number of shares held by the employees as at 31 December 2009, within the meaning of article L.225-102 of the French Commercial Code), the Board of Directors recommends that Mr. Patrice Bréant be appointed as director representing the employee shareholders.

Consequently, the Board of Directors approves the eighth resolution submitted to the general meeting and does not approve the ninth resolution.

Authorization to carry out transactions on the Company's shares *(10th resolution)*

We inform you that the authorization granted by the general meeting of 15 June 2009 expires on 15 December 2010 and therefore propose that you authorize your Board of Directors to carry out transactions on the Company's shares for a maximum purchase price of 45 euros per shares and subject to an overall maximum acquisition amount of €50 million.

Such transactions would be carried out under article L.225-209 of the French Commercial Code and in accordance with the provisions of European Commission Regulation 2273/2003 dated 22 December 2003 implementing European Directive 2003/6/EC of 28 January 2003.

Such share purchases may be carried out for any purpose permitted by law, either now or in the future, including for the following purposes:

- to implement market practices permitted by the *Autorité des marchés financiers*, such as (i) the purchase of shares in the

Company to retain and subsequently deliver further to an exchange or as consideration in connection with any external growth transactions, it being specified that the number of shares acquired with a view to their subsequent delivery in connection with a merger, spin-off or asset contribution transaction may not exceed 5% of its share capital at the time of the acquisition; or (ii) sale or purchase transactions under a liquidity agreement entered into with an investment services provider and complying with the market ethics charter approved by the *Autorité des marchés financiers*; and (iii) any market practice that may in the future be permitted by the *Autorité des marchés financiers* or by law;

- to implement and fulfill obligations and, *inter alia*, to allot shares upon the exercise of rights attached to securities conferring immediate or future access to the share capital of the Company by whatever means, and to carry out any and all hedging transactions with respect to the Company's (or one of its subsidiaries') obligations in connection with such securities, subject to the conditions permitted by the market authorities and at the times the Board of Directors or the person acting pursuant to a delegation of the Board of Directors shall determine;
- to cover stock option plans granted to employees or directors of the Company or its group;
- to grant free shares of the Company to employees or directors of the Company or its group in accordance with the conditions set forth in articles L.225-197-1 *and seq.* of the French Commercial Code;
- to offer employees to purchase shares, either directly or through a company savings plan (*Plan d'Épargne Enterprise*), in accordance with the terms provided by law and particularly articles L.3332-1 *and seq.* of the French Labor Code
- to cancel shares for the purpose of reducing the Company's share capital.

Such authorization to buy-back shares of the Company may not be used for the duration of any takeover offer for the Company and would be granted for a period of eighteen months as from this general meeting, replacing the previous authorization granted by the combined general meeting of 15 June 2009.

Resolutions within the authority of the extraordinary general meeting

We further propose that you grant various delegations to your Board of Directors for the purpose of renewing the authorizations granted to the Board of Directors to allow for the swift and flexible raising of the financial means necessary to implement the Group's development strategy.

Delegations of authority in order to decide the issuance of shares, securities or miscellaneous financial instruments *(11th and 12th resolutions)*

The 11th and 12th resolutions would, at the Board of Directors' decision, allow for the carrying out of issues of securities in France, abroad and/or on the international markets, with upholding or cancellation of the shareholders' preferential subscription right, depending on the opportunities offered by the financial markets and the interests of the Company and of its shareholders.

The 11th resolution therefore authorizes the Board of Directors to issue securities conferring access, immediately or in the future, to shares in issue or to be issued, resulting in a share capital increase, with upholding of the shareholders' preferential subscription right.

The maximum nominal amount of the share capital increases that may be carried out pursuant to this delegation shall be €300 million, *i.e.* approximately 49.6% of the share capital as at 31 December 2009, increased, if applicable, by the nominal amount of any additional shares to be issued in order to protect the rights of the holders of securities conferring access to shares of the Company, in accordance with the provisions of the law.

The maximum nominal amount of the bonds and debt securities conferring access to the share capital that may be issued pursuant to the delegation conferred to the Board of Directors shall be €500 million or equivalent value of such amount in the event of an issue in other currencies.

The 12th resolution authorizes the Board of Directors to issue securities conferring access, immediately or in the future, to shares in issue or to be issued, resulting in a share capital increase, without the need for the shareholders' preferential subscription right to be exercised.

Indeed, in order to be in a position to respond swiftly to any financial opportunity depending, in particular, on the diversity of the financial markets in France and abroad, the Board of Directors may be led to proceed with issuances of, inter alia, complex securities such as convertible bonds capable of being placed with investors interested in financial products of this nature. This implies that the Board of Directors is capable of proceedings with such issues without any exercise of the shareholders' preferential subscription right.

In the event that such option should be used, the shareholders could benefit from a priority right of subscription, for a period and subject to terms and conditions determined by the Board of Directors.

The maximum nominal amount of the share capital increases that may be carried out pursuant to this delegation shall be €120 million, *i.e.* approximately 19.8% of the share capital as at 31 December 2009, increased, if applicable, by the nominal amount of any additional shares to be issued in order to protect the rights of the holders of securities conferring access to shares of the Company, in accordance with the provisions of the law.

The maximum nominal amount of the bonds and debt securities conferring access to the share capital that may be issued pursuant to the delegation granted to the Board of Directors shall be €500 million or equivalent value of such amount in the event of an issue in other currencies.

In 2009, the Board of Directors did not make use of any of these authorizations.

These authorizations would be granted for a period of 26 months as from the date of the general meeting and would, as from such date, render ineffective the delegations of same nature granted by the combined general meeting of 20 May 2008.

Increase of the amount of issuances in the event of excess demands *(13th resolution)*

The purpose of the thirteenth resolution is to authorize your Board of Directors, in accordance with the provisions of article L.225-135-1 of the French Commercial Code, to increase, by up to a maximum of 15% of the initial issuance, the amount of the issuances conducted with upholding or cancellation of the preferential subscription right submitted to your approval under the 11th and 12th resolutions, in the event that such issuances should be the subject of excess demands by the investors, within the limit of such resolution.

In 2009, the Board of Directors did not make use of this authorization.

Such authorization would be granted for a period of 26 months as from the date of the general meeting and would, as from such date, render ineffective the delegation of same nature granted by the combined general meeting of 20 May 2008.

Limit of the overall amount of the authorizations *(14th resolution)*

This resolution sets an overall limit to the nominal amount of the immediate or future share capital increases, with or without shareholders' preferential subscription right that may be carried out by the Board of Directors pursuant to the 11th, 12th and 13th resolutions.

The nominal amount of the share capital increases contemplated in the above-mentioned resolutions is capped at €420 million, increased, if applicable, by the nominal amount of the additional shares to be issued in order to protect the rights of the holders of securities conferring access to shares of the Company, in accordance with the provisions of the law.

Delegation of authority in order to proceed with share capital increases reserved for members of a company savings plan *(plan d'épargne d'entreprise) (15th resolution)*

This resolution, submitted pursuant to article L.225-129 *and seq.* and L.225-138-1 of the French Commercial Code and articles L.3332-1 *and seq.* of the French Labor Code, authorizes the Board of Directors to proceed with issues of shares and/or securities conferring access to the share capital issued by the Company and reserved to the members of a company savings plan (*Plan d'Épargne Entreprise*).

Indeed, when making any decision to increase the share capital by way of cash contributions, and subject to the exceptions provided by law, the extraordinary general meeting is required to resolve on a draft resolution aimed at carrying out a share capital increase reserved for the employees who are members of a company savings plan (article L.225-129-6 paragraph 1 of the French Commercial Code).

In accordance with the provisions of article L.225-138-1 of the French Commercial Code, this resolution implies the cancellation of the shareholders' preferential subscription right in favor of the members of a company savings plan of Arkema or of the companies related to it within the meaning of article L.225-180 of the French Commercial Code and of article L.3344-1 of the French Labor Code.

The subscriptions may be made by the members of an Arkema company savings plan or by direct shareholding in those jurisdictions where it is not possible to use such instruments. The total number of shares and/or securities conferring access to the share capital that may be issued pursuant to the authorization requested of the general meeting is capped at 2 million instruments.

Pursuant to article L.3332-19 of the French Labor Code, the subscription price may not exceed the average of the trading prices of the Company's shares during the twenty trading days preceding the date of the decision of the Board of Directors, or be lower than such average less the maximum discount provided by law.

This authorization would be granted for a period of 26 months as from the date of the general meeting and, if adopted, would render ineffective, as from such date, the delegation of same nature granted by the combined general meeting of 15 June 2009.

In 2009, the Board of Directors did not make use of such authorization. However, we inform you that the Board of Directors, in its meeting of 20 January 2010, has decided to proceed with a share capital increase reserved for the employees of the group, the characteristics of which were determined in its meeting of 3 March 2010. As a result thereof, the subscription price was set at €20.63 per share with a par value of 10 euros, with dividend rights as from 1 January 2009. This price corresponds to the average of the opening trading prices during the 20 trading days preceding the date of the Board meeting, to which a discount of 20% was applied. The subscription period shall open on 10 March 2010 and shall expire at the close of business on 24 March 2010.

Amendment of articles 10.1.2 and 10.2 of the articles of association *(16th and 17th resolutions)*

The sixteenth resolution proposes to delete the paragraph of article 10.1.2 of the articles of association which allowed for the implementation of the staggered renewal of the functions of directors at the ordinary general meeting of 15 June 2009, which has become inapplicable.

The seventeenth resolution proposes to amend article 10.2 of the articles of association in order to state that the term of office of the directors representing the employee shareholders shall be as provided under article 10.1.2 of the articles of association, as provided by law.

Powers for the purpose of fulfilling the legal formalities *(18th resolution)*

In this resolution, you are being asked to confer full powers to the bearer of an original, or a copy or extract from the minutes of this general meeting for the purpose of carrying out all necessary formalities.

The draft resolutions presented to you summarize the main points set forth in this report and we would be grateful if you would approve them.

The Board of Directors

Annex 6 – Statutory auditors' report on the issuance of shares and/or financial instruments giving access to the capital of the Company with maintaining or cancelling of the shareholders' preferential subscription rights

This is a free translation into English of a 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.

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Commissaire aux comptes

Membre de la Compagnie Régionale de Versailles

ARKEMA

Combined General Meeting of 1st June 2010

(Eleventh, twelfth and thirteenth resolutions)

Statutory auditors' report on the issuance of shares and/or financial instruments giving access to the capital of the Company with maintaining or cancelling of the shareholders' preferential subscription rights

To the shareholders,

In our capacity as statutory auditors of your company and in accordance with articles L. 225-135, L. 225-136 and L. 228-92 of the French Commercial Code (*Code de Commerce*), we hereby report to you on the proposals of delegation of authority to the board of directors to issue ordinary shares and other financial instruments giving access to capital of the company, operations which are submitted to your approval.

Your board of directors proposes that you, on the basis of its report, delegate to them, with option of sub-delegation, for a period of twenty-six months, the authority to decide in favour of the operations mentioned below and to definitively set the conditions of these issues, and proposes to you, as need be, to cancel your preferential subscription right:

- issue, with maintaining the shareholders' preferential rights, of i) shares in the company, ii) financial instruments giving access by any means, immediately or in the future, to existing shares in the company or shares to be issued in the company, iii) financial instruments giving access by any means, immediately or in the future, to existing shares or shares to be issued in a company in which your company owns directly or indirectly more than half of the share capital, and iv) financial instruments giving access to the granting of debt securities (eleventh resolution),
- issue, with cancellation of the shareholders' preferential subscription rights, by way of a public offering, of i) shares in the company, (ii) financial instruments giving access by any means, immediately or in the future, to existing shares in the company or shares to be issued in the company, (iii) financial instruments giving access by any means, immediately or in the future, to existing shares or shares to be issued in a company in which your company owns directly or indirectly more than half of the share capital, and (iv) financial instruments giving access to the granting of debt securities (twelfth resolution).

The ceiling of the nominal amount of the share capital increases that may be executed immediately or in the future shall be set at €300,000,000 under the terms of the eleventh resolution and €120,000,000 under the terms of the twelfth resolution, given that the ceiling of the nominal amount of the share capital increases that may be executed under the eleventh, twelfth and thirteenth resolutions is set at €420,000,000.

The total nominal amount of the debt securities that may be issued under the eleventh and twelfth resolutions may not exceed €500,000,000 in total.

These ceilings take account of the additional number of debt securities to be issued under the execution of the delegations of authority covered under the eleventh and twelfth resolutions, in accordance with article L. 225-135-1 of the French Commercial Code (Code de commerce), if you adopt the thirteenth resolution.

It is the responsibility of your Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code (*Code de Commerce*). It is our responsibility to express an opinion on whether the information issued from the financial statements is fairly stated, on the proposed cancellation of preferential subscription rights, and on various other information dealing with these operations, given in this report.

We 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)* for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors’ report relating to these operations and the methods used for determining the subscription price of the shares to be issued.

Subject to our further examination of the conditions of issues that may be decided, we have no matters to report on the methods used for determining the subscription price of the securities to be issued given in the Board of Directors’ report under the twelfth resolution.

In addition, as this report does not detail the methods used for determining the subscription price of the securities to be issued under the ninth resolution, we do not express any opinion on the elements of the subscription price calculation.

As the share issue price has yet to be determined, we do not express any opinion on the final conditions under which issues will be processed and, accordingly, on the proposal of cancellation of the shareholders’ preferred subscription right under the twelfth resolution.

In accordance with article R. 225-116 of the French Commercial Code (*Code de Commerce*), we will issue an additional report, as need be, when your Board of Directors makes use of these delegations while issuing ordinary shares in the company with cancellation of the preferential subscription right and financial instruments giving access to shares in the company and/or giving access to the granting of debt securities.

Paris-La Défense, 19 March 2010

The statutory auditors

French original signed by

KPMG Audit		**ERNST & YOUNG Audit**	
Département de KPMG S.A.			
Bertrand Desbarrières	Jean-Louis Caulier	François Carrega	Valérie Quint
Partner	Partner	Partner	Partner

Annex 7 – Statutory auditors' report on the issuance of shares or financial instruments giving access to existing shares or shares to be issued with cancelling of the preferential subscription rights reserved for employees participating in a company savings plan

This is a free translation into English of a 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

Combined General Meeting of 1st June 2010

(Fifteenth resolution)

Statutory auditors' report on the issuance of shares or financial instruments giving access to existing shares or shares to be issued with cancelling of the preferential subscription rights reserved for employees participating in a company savings plan

To the shareholders

In our capacity as statutory auditors of your company and in accordance with articles L. 225-135, L. 225-138 and L. 228-92 of the French Commercial Code (*Code de commerce*), we hereby report to you on the proposal of delegation of authority to the Board of Directors to decide to increase the share capital of the company, in one or more transactions, by the issuance of shares or financial instruments giving access to existing shares in the company or shares in the company to be issued, with cancelling of the preferential subscription rights, for a maximum nominal amount of €20,000,000, reserved for employees and former employees of your company and of related French or foreign companies under the meaning of current regulations, provided that such employees or former employees are participating in the Arkema company savings plan, an operation which is submitted to your approval.

These share capital increases are subject to your approval in accordance with articles L. 225-129-6 of the French Commercial Code (*Code de commerce*) and articles L. 3332-18 *et seq.* of the French Labour Code (*Code du travail*).

Your Board of Directors proposes that you, on the basis of its report, delegate to them, for a period of twenty-six months from the date of this Annual General Meeting, the authority to decide in favour of one or more share capital increases and to waive your preferential subscription rights. Where applicable, the Board of Directors shall definitively set the conditions of these issues.

It is the responsibility of your Board of Directors to prepare a report in accordance with articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code (*Code de commerce*). It is our responsibility to express an opinion on whether the information issued from the financial statements is fairly stated, on the proposed cancellation of preferential subscription rights, and on various other information dealing with the issuance, given in this report.

We 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)* for this type of engagement. These procedures consisted in verifying the information provided in the Board of Directors' report relating to these operations and the methods used for determining the subscription price of the securities to be issued.

Subject to our further examination of the conditions of share capital increases that may be decided, we have no matters to report on the methods used for determining the subscription price of the securities to be issued given in the Board of Directors' report.

As the share issue price has yet to be determined, we do not express any opinion on the final conditions under which share capital increases will be processed and, accordingly, on the proposal to cancel the shareholders' preferential subscription rights.

In accordance with article R. 225-116 of the French Commercial Code (*Code de commerce*), we will issue an additional report, as need be, when your Board of Directors makes use of these delegations.

Paris-La Défense, 19 March 2010

The statutory auditors

French original signed by

KPMG Audit		ERNST & YOUNG Audit	
Département de KPMG S.A.			
Bertrand Desbarrières	Jean-Louis Caulier	François Carrega	Valérie Quint
Partner	Partner	Partner	Partner

27 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 paint, ink and glue.
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).
Amines	A compound obtained by substituting monovalent hydrocarbon radicals for one of the hydrogen atoms of ammonia.
Arkema's Businesses	The Vinyl Products, Industrial Chemicals, and Performance Products businesses.
Carbon nanotubes	Cylindrical structure consisting of coils of one to tens of graphite planes, with a diameter ranging from 10 to 100 nanometers, and a few microns in length.
Chloromethane	A molecule obtained by substituting one atom of chlorine for one of the hydrogen atoms of methane. It is used mainly in the manufacture of fluorinated derivatives and silicones.
CO	Carbon monoxide.
CO_2	Carbon dioxide.
COD	Chemical oxygen demand. A parameter for measuring water pollution by organic compounds, whose decomposition consumes oxygen.
Co-polyamide	A polyamide obtained from two or more types of monomer.
Cross-linking	The modification of a linear polymer into a three-dimensional polymer by creating crosslinks.
Debottlenecking	A modification made to an industrial installation in order to increase production capacity.
Diatomites	Unicellular micro-organisms used in their fossil state (diatomites) by the chemical industry for their properties as filter aid.
Dioctylphthalate or DOP	An ester made from phthalic anhydride and mainly used as a plasticizer.
DMDS	Abbreviation for dimethyldisulfide.
EDA	Refers to copolymers and terpolymers made from ethylene and acrylic esters.
EDC	The ISO code for dichloroethane.
Elf Spin-Off	The contribution by Elf Aquitaine of shareholdings held in entities carrying out Arkema Businesses.
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.
HF	Hydrofluoric acid.

Term	Definition
HFCs	Hydrofluorocarbons. Hydrogen-, carbon- and fluorine-based products that are mainly used in refrigeration as substitutes to CFCs (chlorofluorocarbons), following the introduction of the Montreal Protocol.
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.
Impact modifiers	Additives introduced into certain products, in particular PVC, to make them more impact-resistant.
Initiators	Products used to initiate chemical reactions.
Interface agents	Products used in the formulation of additives.
ISO 14001	An international standard that defines the criteria for introducing an environmental management system in companies.
Kyoto Protocol	An international agreement between 84 countries on 11 December 1997 in Kyoto (Japan), which is complementary to the Convention on Climate Change of May 1992 within the framework of the United Nations (known as UNFCCC – United Nations Framework Convention on Climate Change). The Kyoto Protocol came into force on 16 February 2005.
Latex	Binders for paint, glue and varnish produced by polymerization of monomers (acrylic, vinyl and others) and forming a stable dispersion in water of polymer particles which, coated and dry, form a continuous film.
Mercaptans	Thio-alcohols and phenols.
Merger	Refers to the merger of S.D.A. with and into Arkema S.A.
Methyl methacrylate	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.
Methylmercaptan	A mercaptan mainly used as an intermediate in the synthesis of methionine (an amino acid used in animal feed), but also as a raw material for various sulfur derivatives.
Mineral charges	Mineral additives introduced into the composition of certain products in order to modify their properties.
MIS	Refers to organic materials in suspension. These are solid particles present in water that can be retained by physical or mechanical means (filtration and sedimentation).
Molecular sieves	Synthesized mineral products used to purify liquids and gases by the selective adsorption of molecules.
ODP (Ozone Depletion Potential)	Index measuring the impact of a given mass of gas estimated to contribute to the depletion of the ozone layer, expressed in relation to the impact of a chlorofluorocarbon.
Organic peroxides	Oxidizing organic products used as initiators for polymerization and as crosslinking agents.
Oxo-alcohols	Alcohols derived from propylene and used as synthesis intermediates.
Oxygenated solvents	Substances such as alcohols, ketones and ethers that contain oxygen atoms and have the ability to dissolve other substances without modifying them chemically.
PEKK	Polyether ketone ketone
Perlite	A natural silicate of volcanic origin used in industry for its properties as a filter aid.
Phthalic anhydride	An orthoxylene derivative mainly used in the manufacture of plasticizers and as a synthesis intermediate.
PMMA	The ISO code for polymethyl methacrylate.
Polyamide	A polymer obtained by the reaction of a di-acid on a di-amine, or from the polymerization of a monomer having both an acid and an amine function.
Polyamide 11 or PA 11 and polyamide 12 or PA 12	Thermoplastic polyamides, whose monomers have 11 and 12 carbon atoms, respectively.
Polyethylene	A plastic obtained by the polymerization of ethylene.
Polymerization	The union of several molecules of one or more compounds (monomers) to form a large molecule.
Polymers	Products made by polymerization.
Polystyrene	A plastic obtained by the polymerization of styrene, an aromatic compound.
Polyphtalamide	Thermoplastic from the polyamide family, obtained by polymerization of aromatic diacids and aliphatic diamines and characterised by a high melting point and high mechanical rigidity.
Polyvinyl chloride or PVC	A plastic obtained by the polymerization of VCM.
Processing agents	Products that facilitate the conversion of polymers by molding or extrusion.

Term	Definition
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.
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").
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.
Stabilizers	Additives used to preserve a given composition of a product.
Surfactant	An agent that causes an increase in a liquid's flow and wetting properties by lowering its surface tension.
The Spin-Off of Arkema's Businesses	Refers to the transaction, the subject of the prospectus that received the *Autorité des marchés financiers* visa n° 06-106 dated 5 April 2006.
Total Spin-Off	The contribution by Total S.A. of shareholdings in the entities carrying out Arkema Businesses.
UIC	*Union des Industries Chimiques* (Union of Chemical Industries). The professional body of the chemical industry in France.
Unsaturated polyesters	Esters with high molecular weights produced by the linking of numerous ester molecules that have double bonds between carbon atoms.
Urea formaldehyde resins	Synthetic resins obtained by the reaction of condensation between urea and formaldehyde.
VCM	The ISO code for vinyl chloride monomer.
VF2	The PVDF monomer.
Vinyl acetate	An ester derived from methanol and mainly used as raw material for EVAs (functional polyolefins).
Vinyl compounds and PVC compounds	Ready-to-use materials produced by mixing PVC with additives (plasticizers, stabilizers, colorants, etc.).
VOC	Volatile organic compounds.

28 Cross-reference table

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17.3.	Description of any arrangements for involving employees in the capital of the Company	17.5	118-119
18.	**Major shareholders**	**Chapter 18**	**121-124**
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	18.1	122-123
18.2.	Different voting rights or an appropriate negative statement	18.2	124
18.3.	Direct or indirect control over the Company	18.4	124
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	18.4	124
19.	**Related party transactions**	**Chapter 19**	**125**

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
20.	**Financial information concerning the assets, financial condition and results of the Company**	**Chapter 20**	**127-200**
20.1.	Historical financial information	Chapter 20	127-200
20.2.	Pro forma financial information	Not applicable	
20.3.	Financial statements	Chapter 20	127-200
20.4.	Auditing of historical financial information	Chapter 20	127-200
20.4.1.	Declaration that the historical financial information has been audited	Chapter 20	127-200
20.4.2.	Other information in the reference document which has been audited by the statutory auditors	Not applicable	
20.4.3.	Where financial data in the registration document is not extracted from the Company's audited financial statements, state the source of the data and state that the data is unaudited	Not applicable	
20.5.	Date of the latest audited financial information	9.1.1, Chapter 20	56, 127-200
20.6.	Interim and other financial information	Not applicable	
20.6.1.	Quarterly or half yearly financial information published since the last financial statements and, where appropriate, the audit or review report	Not applicable	
20.6.2.	Interim financial information, which may be unaudited, covering at least the first six months of the financial year if the reference document is dated more than nine months after the last audited financial year	Not applicable	
20.7.	Dividend policy	10.6	67
20.7.1.	Dividend per share	10.6	67
20.8.	Legal and arbitration proceedings	6.4	43
20.9.	Significant change in the issuer's financial or trading position	Not applicable	
21.	**Additional information**	**Chapter 21**	**201-210**
21.1.	Share capital	21.1	202-206
21.1.1.	The amount of issued capital, the number of shares authorized, the number of shares issued and fully paid, the number of shares issued but not fully paid, the par value per share and a reconciliation of the number of shares in issue at the beginning and end of the year	21.1.1	202
21.1.2.	Shares not representing capital	21.1.3	202
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	21.1.4	202-204
21.1.4.	Convertible securities, exchangeable securities or securities with warrants	21.1.5	204-206
21.1.5.	Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	21.1.6	206
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	21.1.6	206
21.1.7.	History of share capital for the period covered by the historical financial information	21.1.7	206
21.2.	Memorandum and Articles of Association	21.2	206-210
21.2.1.	Company purpose	21.2.1	206
21.2.2.	Members of administrative, management and supervisory bodies	21.2.2	206
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	21.2.3	207
21.2.4.	A description of what action is necessary to change the rights of holders of the shares	21.2.5	207
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	21.2.6	207-209

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	Heading	Section	Page(s)
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	21.2.7	209
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	21.2.8, 21.2.9	209-210
21.2.8.	A description of the conditions imposed by the memorandum and Articles of Association statutes, charter or bylaw governing changes in the capital, where such conditions are more stringent than is required by law	Not applicable	
22.	**Significant contracts**	**Chapter 22**	**211-214**
23.	**Third party information and statement by experts and declarations of any interest**	**Not applicable**	
23.1.	Information regarding persons having issued a declaration or report	Not applicable	
23.2.	Confirmation that information has been accurately reproduced and that no facts have been omitted which would render the reproduced information inaccurate or misleading	Not applicable	
24.	**Documents available to the public**	**Chapter 24**	**217-221**
25.	**Information on shares held by the Company**	**Chapter 25**	**223-230**

29 Reconciliation table

This reference document features all the elements of the Company's management report as required under articles L.225-100 and seq., L.232-1, II and R.225-102 of the French Commercial Code (*Code de commerce*). It also features all information from the annual financial report referred to under article L.451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and article 222-3 of the general regulation of the *Autorité des marchés financiers*.

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 help identify the sections constituting these reports. However, some sections of this reference document which also constitute sections of the management report by the Board of Directors, have been completed since 3 march 2010, date at which this report was reviewed by the Board of Directors. It concerns mainly chapters or sections 4, 6, 10 and 22. The reconciliation table also lists the other reports by the Board of Directors and the reports by the statutory auditors.

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	Chapter 4, sections 5.1.5, 5.1.6 and 5.2, section 9.2, section A of the notes to consolidated financial statements
2	Modifications to accounts presentation method and to evaluation methods used in previous years	Section B of the notes to consolidated financial statements
3	Results of the activity of the Company, its subsidiaries and the companies under its control	Section 9.2
4	Key financial performance indicators	Chapter 3
5	Analysis of evolution of the business, the results and the financial situation	Section 9.2
6	Progress achieved or problems encountered	Section 9.2
7	Description of main risks and uncertainties facing the Company (including the Company's exposure to financial risks)	Chapter 6
8	Indications on the use of financial instruments, and the Company's objectives and policy in terms of financial risk management	Chapters 6 and 10
9	Significant events that have occurred since the accounts closing date	Section 5.1.6
10	Foreseeable evolution and outlook of the Company	Chapters 12 and 13
11	Research and development activities	Chapter 11
12	List of terms of office and duties held in any company by each director in the year ended	Section 14.1
13	Total compensation and employee benefits of any kind paid to each director in the year ended (1)	Chapter 16
14	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	Chapter 16
15	Operations conducted by the directors and members of the Executive Committee on the Company's securities	Section 14.6
16	Key environmental and personnel indicators	Section 8.2.2 and chapter 17
17	Personnel information:	

N°	Information	Reference
	Total headcount, new recruits (fixed term and permanent contracts), recruitment problems, if applicable, redundancies and their reasons, overtime, subcontracted labor	Sections 17.1.1, 17.1.2 and 17.1.3
	If applicable, information relating to personnel reduction and job protection plans, rehiring and support measures	Section 17.3
	Organization of working week, number of working hours for full-time and part-time employees, absenteeism	Section 17.1.3
	Compensations and evolution of compensations, social security contributions, application of provisions under title IV of book IV of French Labor Code, professional equality between men and women	Section 17.1.6
	Professional relations and review of collective agreements	Section 17.3.1
	Health and safety conditions	Section 17.2
	Training	Section 17.1.5
	Employment and hiring of disabled people	Section 17.1.7
	Welfare initiatives	Section 17.6
	Importance of subcontracting and manner in which the Company promotes within its subcontractors and ensures compliance by its subsidiaries with the provisions of the fundamental conventions of the International Labor Organization	Section 17.2.1
	Manner in which the Company takes account of the regional impact of its activities in terms of employment and regional development	Section 17.6
	Relations between the Company and employment associations, educational establishments, environmental associations, consumer associations and local communities	Sections 17.1.2 and 17.6
	Manner in which the Company's foreign subsidiaries take account of the impact of their activities on regional development and on local communities	Section 17.6
18	Employee share ownership situation	Sections 17.5.3 and 18.1
19	Environmental information:	
	Consumption of water, raw material and energy resources, with, where applicable, the measures taken to improve energy efficiency, the use of renewable energies, conditions for using soil, emissions to air, water and soil with a serious impact on the environment, noise and odour pollution, wastes	Section 8.2.2
	Measures taken to minimize impacts on biological balance, the natural environment, protected animal and plant species	Section 8.2.2
	Evaluation and certification initiatives taken as regards the environment	Section 8.2.2
	Measures taken, where applicable, to ensure compliance of the Company's activity with the relevant applicable legal and regulatory requirements	Sections 6.2.2 and 8.2
	Expenditure incurred to prevent the consequences of the Company's activity on the environment	Section 8.2
	Existence within the Company of internal environment management departments, training and information of employees regarding the environment, resources allocated to minimizing environmental risks, organization put in place to deal with accidental pollution where the consequences impact beyond the Company's site boundaries	Sections 8.2.3, 15.7.1.6.,17.1.5 and 17.2
	Amount of provisions and guarantees for environmental risks	Sections 6.3.4 and 8.2.2.2
	Amount of indemnities paid during the year in enforcing court orders regarding the environment and actions carried out in reparation or compensation of damages caused to the environment	Not applicable
	Environmental objectives assigned by the Company to its foreign subsidiaries	Section 8.2.2
20	Information on the technological accident risk prevention policy, the Company's ability to cover its civil liability toward property and people as a result of classified facilities, and resources provided for to ensure the management of compensation to victims of technological accident involving the Company's responsibility	Sections 6.3.4 and 8.2
21	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	Chapter 25
22	Transfer or disposal of shares undertaken to regularize cross shareholdings	Not applicable
23	Natural persons or corporate bodies holding directly or indirectly over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3 or 19/20 of the Company's share capital or voting rights at annual general meetings	Section 18.1
24	Injunctions or financial penalties in respect of anticompetitive practices	Section 6.4 and note 19.2.1 of the annex to consolidated financial statements

N°	Information	Reference
25	Items that may have an incidence in the event of a public offering:	
	Structure of the Company's capital	Section 18.1
	Restrictions under the Articles of Association on the exercising of voting rights and the transfer of shares, clauses of the agreements notified to the Company pursuant to article L.233-11 of the French Commercial Code	Sections 18.2, 18.3, 18.4, 21.2.6, 21.2.7, 21.2.8 and 21.2.9
	Direct or indirect shareholdings in the Company's capital of which it is aware under articles L.233-7 and L.233-12 of the French Commercial Code	Section 18.1
	List of bearers of any securities entailing special controlling rights and description thereof	Not applicable
	Control mechanisms in place for personnel shareholding scheme, if applicable, where controlling rights are not exercised by the latter	Not applicable
	Agreements between shareholders of which the Company is aware and which can entail restrictions on the transfer of shares and on the exercising of voting rights	Not applicable
	Rules applicable to the nomination and replacement of members of the Board of Directors, and to amendments to the Company's Articles of Association	Sections 15.1, 15.2 and 21.2
	Powers of the Board of Directors, in particular regarding share issuance and buy-back	Sections 15.1 and 21.1.5
	Agreements reached by the Company and which are amended or lapse in the event of a change of control (2)	Sections 10.2, 22.2 and note 27 to consolidated financial statements 22.2 (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	Chapter 16
26	Company management mode (only in the event of amendments)	Not applicable
27	Items of calculation and results of adjustment of conversion bases or of exercising of securities giving access to capital and of stock options	Section 17.5
28	Information on share buy-back programs	Section 21.1.4
29	Summary table of outstanding delegations regarding share capital increase	Section 21.1.5
30	Table of results of the Company in the last 5 years	Section 20.7
31	Amount of dividends distributed in the last 3 years	Section 10.6
32	Detail of the Company's payables	Note 5 to Company's financial statements
II	**ANNUAL FINANCIAL REPORT**	
1	Annual accounts	Sections 20.5 and 20.6
2	Consolidated accounts	Sections 20.2 and 20.3
3	Report by statutory auditors on annual accounts	Section 20.4
4	Report by statutory auditors on consolidated accounts	Section 20.1
5	Management report featuring at least the information mentioned under articles L.225-100, L.225-100-2, L.225-100-3 and L.225-211 paragraph 2 of the French Commercial Code	Please refer to the management report indicated under I above, and in particular items 4, 5, 7, 8, 25, 28 and 29
	Declaration by the people accepting responsibility for the management report	Chapter 1
6	Statutory auditors' fees	Section 9.4
7	Report by the Chairman on the conditions for preparing and organizing the Board of Directors' work as well as the internal control procedures implemented by the Company	Annex 1, sections 15.3, 15.4, 15.5 and 15.7
8	Report by the statutory auditors on internal control	Annex 1
9	List of all information published by the Company or made public in the last 12 months	Section 24.2
III	**OTHER DOCUMENTS**	

N°	Information	Reference
1	Statutory auditors' report prepared in accordance with article L. 225-235 of the French Commercial Code (*Code de commerce*)	Annex 1
2	Special report by statutory auditors on regulated conventions	Annex 2
3	Agenda for the combined general meeting on 1 June 2010	Annex 3
4	Draft resolutions proposed to the combined general meeting on 1 June 2010	Annex 4
5	Report by the Board of Directors to the combined general meeting on 1 June 2010	Annex 5
6	Reports by statutory auditors on the delegations granted by the general meeting to the Board of Directors	Annexes 6 and 7
7	Special report by the Board of Directors on stock options and free share allocations	Section 17.5.4 and notes 26.1 and 26.2 to consolidated financial statements

(1) This includes compensations and employee benefits granted by the Company and its subsidiaries, including in the form of allocation of equity securities, debt securities, or securities giving access to equity. A distinction should be made between the fixed, variable and exceptional components making up these compensations and employee benefits, as well as the criteria used to calculate them or the circumstances on the basis of which they have been established.

(2) Except if this disclosure, excluding cases of lawful disclosure, were to violate the Company's interests.

(3) The significant contracts will need to be reviewed to establish whether they feature or otherwise clauses on change of control.

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