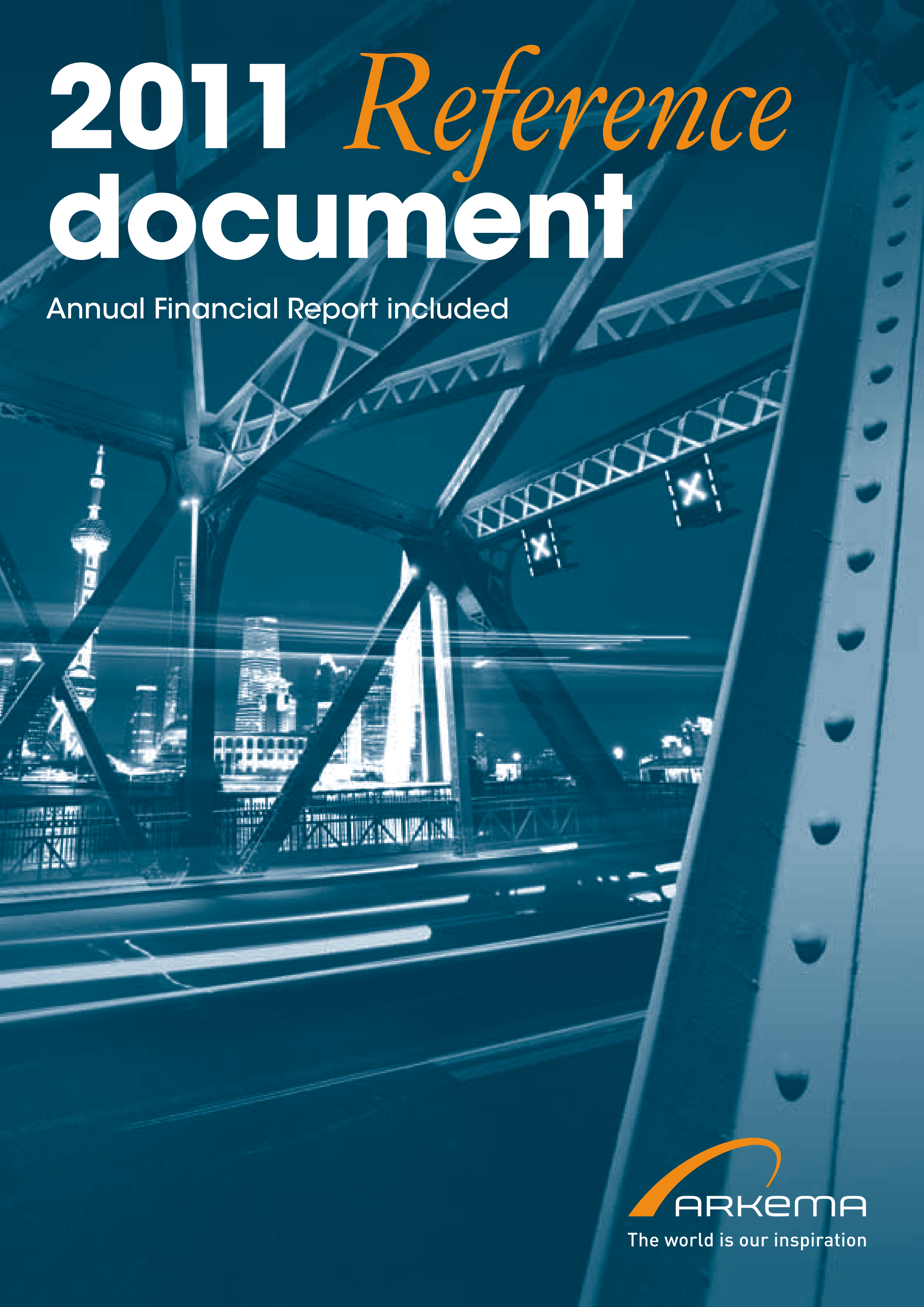
2011 *Reference* document

Annual Financial Report included



ARKEMA

The world is our inspiration

The world is our inspiration

REFERENCE DOCUMENT 2011

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

This document is a free translation of the French language reference document that was filed with the *Autorité des marchés financiers* (the "AMF") on 4 April 2012. 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 4 April 2012 with number D. 12-0280. 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 2010 included in chapter 20 of the reference document granted visa n° D.11-0203 by the *Autorité des marchés financiers* on 31 March 2011, as well as the statutory auditors' reports related thereto;
- the consolidated financial statements for the year ended 31 December 2009 included in chapter 20 of the reference document granted visa n° D10-0209 by the *Autorité des marchés financiers* on 1 April 2010, as well as the statutory auditors' reports related thereto;
- a comparative analysis of the 2010 consolidated financial statements and the 2009 consolidated financial statements included in chapter 9 of the reference document granted visa n° D.11-0203 by the *Autorité des marchés financiers* on 31 March 2011; and

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

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GENERAL COMMENTS

In this reference document:

- "Arkema S.A." or "Company" means the company named Arkema, whose shares are listed on Euronext™ Paris; and
- "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 2011 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. These consolidated financial statements have been prepared in accordance with IFRS 5 standard. As a consequence, figures mentioned in the 2011 and 2010 income statement and in the 2011 balance sheet exclude the items relating to the businesses subject to a divestment project ongoing at the close of the 2011 financial year (for further information, please see chapters 4.3.3, 9 and 20 of this reference document). With the aforementioned exception, information and figures included in this reference document reflect, unless otherwise stated, the Group's situation at 31 December 2011 including the businesses subject to a divestment project.

Chapter 9 of this reference document provides a comparative analysis between the 2011 consolidated financial statements and the 2010 consolidated financial statements.

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

PERSONS RESPONSIBLE FOR THE REFERENCE DOCUMENT AND FOR THE 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.

The consolidated financial statements for the financial year ended 31 December 2010 and the audit report from KPMG Audit and Ernst & Young Audit, statutory auditors, are included in chapter 20 of the reference document granted visa n° D.11-0203 by the *Autorité des marchés financiers* on 31 March 2011. This report, presented on pages 134 and 135 of this reference document, includes an observation on a revised standard applied by the Company in 2010."

Thierry Le Hénaff

Chairman and Chief Executive Officer

1.3 PERSON RESPONSIBLE FOR THE 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

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

1/2, place des Saisons
92400 Courbevoie - Paris - La Défense 1

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

1/2, place des Saisons
92400 Courbevoie - Paris - La Défense 1

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

Following the announcement of a project to divest the bulk of the Vinyl Products segment still pending at the close of the year, the contribution of these businesses is presented in the consolidated financial statements in accordance with standard IFRS 5. Consequently, the figures given in the following table exclude the contribution of the activities subject to a divestment project in the income statement for 2011 and 2010 and the 2011 balance sheet (for further information, please refer to section 4.3.3 and chapters 9 and 20 of this reference document).

2009 figures are not restated and are the same as those mentionned in the 2010 reference ducument.

(In millions of euros except otherwise mentioned)	2011	2010	2009
Sales	5,900	4,869	4,444
EBITDA*	1,034	809	310
EBITDA margin *(EBITDA as % of sales)*	17.5%	16.6%	7.0%
Depreciation and amortization	272	247	(270)
Recurring operating income*	762	562	40
Other income and expenses*	(45)	(9)	(109)
Operating income*	717	553	(69)
Net income from continuing operations	572	428	-
Net income from discontinued operations	(587)	(78)	-
Net income, Group share	(19)	347	(172)
Dividend per share *(in euros)***	1.30	1	0.60
Shareholders' equity	2,217	2,240	1,813
Net debt*	603	94	341
Capital employed*	3,653	3,164	2,977
Cash flow from operating activities	543	511	452
Cash flow from investing activities	(942)	(281)	(250)
Cash flow from financing activities	131	161	(171)
Working capital on sales *(in %)**	15.0%****	13.3%*****	16.2%
Free cash flow***	169	276	228
Capital expenditure *(gross)*	365	315	301

* *These indicators are defined in chapter 20 (Note B.19 to the financial statements) of this reference document.*

** *In 2011, amount of dividend proposed to the annual general meeting of 23 May 2012.*

*** *Cash flow from operating and investment activities, excluding the impact of portfolio management. Data computed by the Company but which are not extracted from the audited financial statements, detailed in section 9.2.8 of this reference document.*

**** *Working capital on proforma sales ratio (2011 sales of continuing operations + 1H'11 sales of Total specialty resins (€440 m) + 2011 sales of Seppic specialty alkoxylates (€53 m)).*

***** *Working capital including Vinyls / sales including Vinyls.*

4

BUSINESS OVERVIEW

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All the figures contained in this chapter are provided on a consolidated basis. For 2010 and 2011, the accounts have been restated in line with standard IFRS 5 (see chapters 9 and 20 of this reference document). Figures mentioned correspond to continuing operations for 2011 and 2010 income statement items and for 2011 balance sheet items.

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 some €2,353 billion in 2010, the chemical sector is a worldwide industry located in three main geographic regions, namely Europe (about 25% of world production), North America (about 19% of world production), and Asia Pacific (about 49% of world production) [1]. 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 the chemical industrial context with a business portfolio focused on three segments: Industrial Chemicals, Performance Products, and Vinyl Products, the latter now being the subject of a divestment project to the group Klesch (see section 4.3.3 of this reference document). With sales from continuing operations of €5.9 billion in 2011, 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 (84 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 producers in its main continuing 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 the main points of which are given in chapter 8 of this reference document.

In 2011, the Group has nine research and development (R&D) centers, of which six are in France, two in the United States, and one in Japan. ARKEMA also announced in October 2011 the opening end 2012 of an R&D center in Changshu, China. Over 1,200 researchers work within the Group. The Group's R&D expenses amounted to around 2.2% of its sales in 2011. 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", described in chapter 11 of this reference document.

At 31 December 2011, the Group had 15,776 employees. Excluding the vinyl activities subject to a divestment project (described in section 4.3.3. of this reference document), the headcount stood at 13,145.

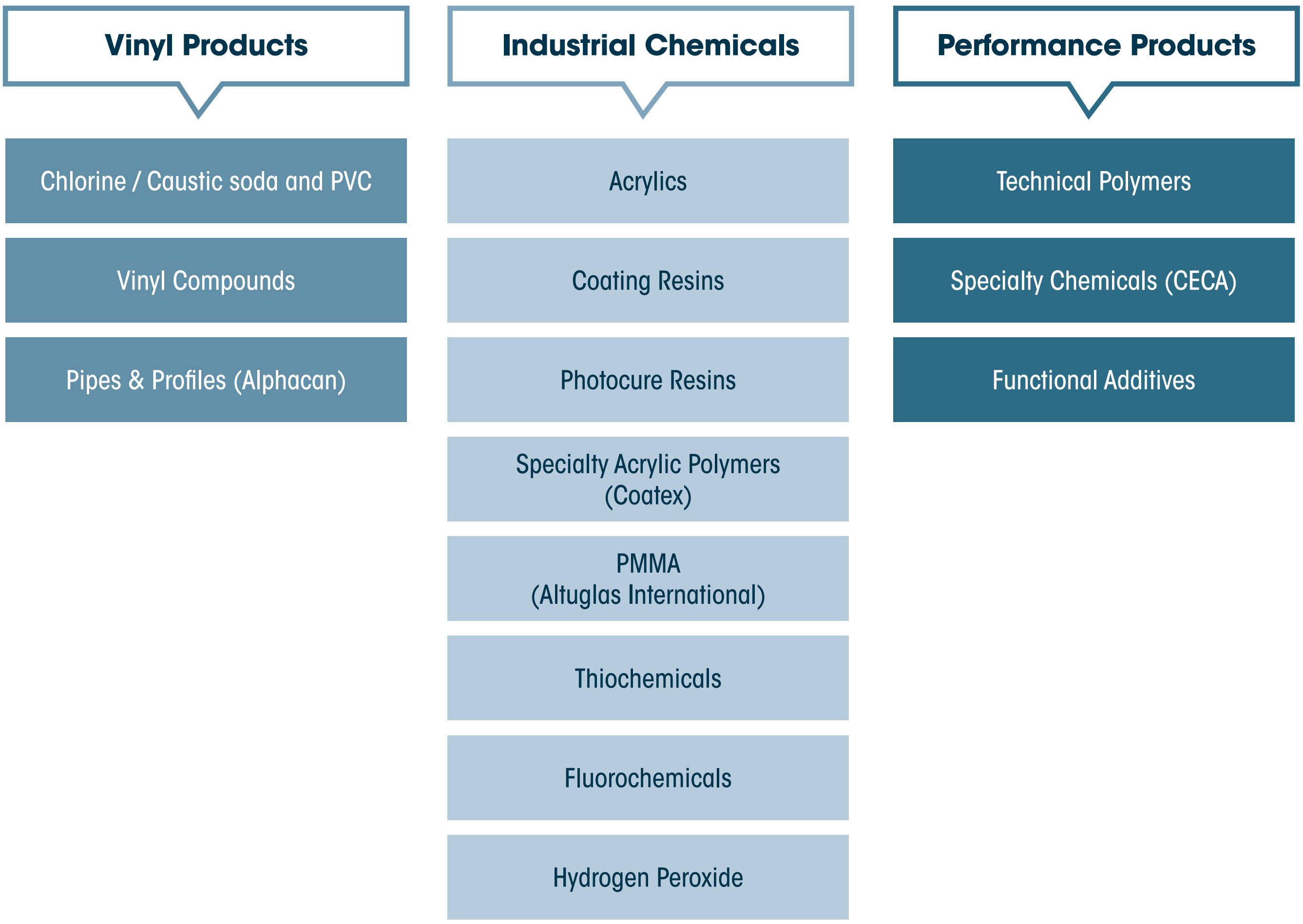
End 2011 ARKEMA ran 14 profit centers or Business Units (BUs), with 11 BUs outside the Vinyl Products segment.

(1) Source: CEFIC, September 2011, excluding pharmaceuticals.

Business segments are organized according to business clusters: the Industrial Chemicals segment covers those chemical activities based on major intermediates, while the Performance Products segment encompasses the businesses focusing on applications products. The Vinyl Products segment, currently the subject of a divestment project, groups together the businesses connected with chlorine chemistry,

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, effective at 31 December 2011, shows the BUs operating within each business segment [(1)]. Following the acquisition on 1 July 2011 of the coating and photocure resins from Total, the coating resins merged with the existing Emulsions businesses in a new business unit called Coating Resins. Sartomer's businesses (Photocure Resins) form a new Business Unit.



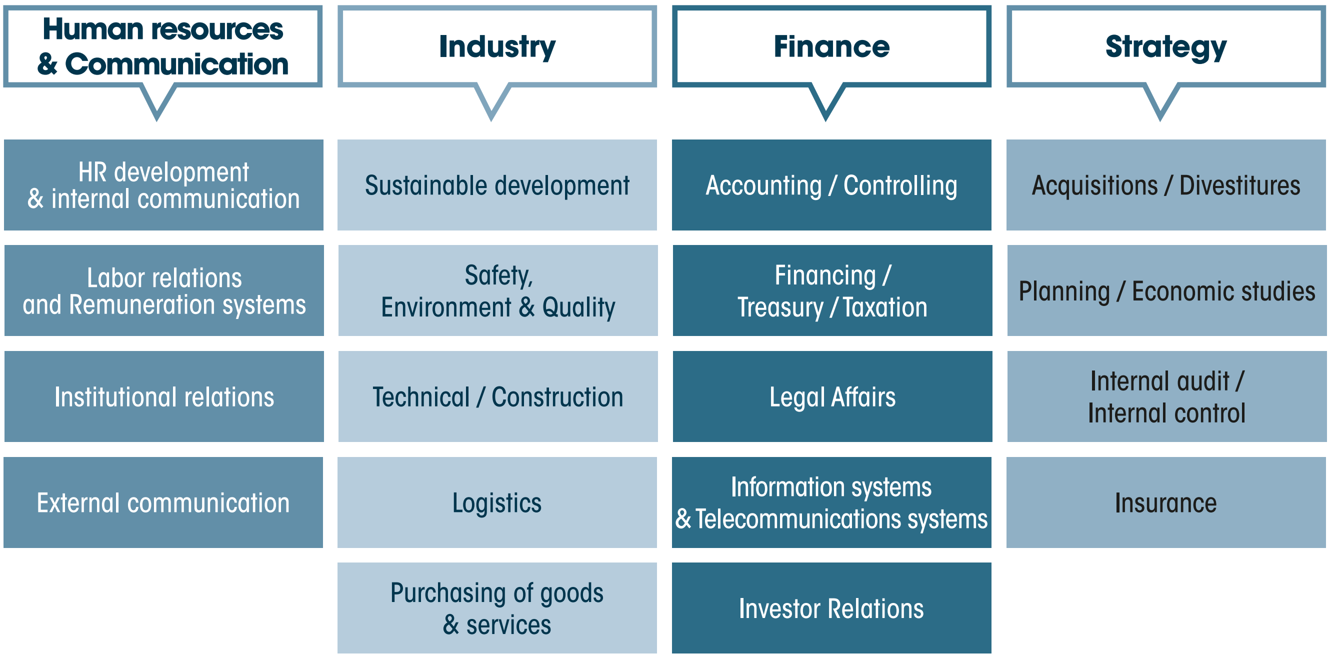
The functional divisions provide continuous support to the Group's business segments, mainly in the fields of accounting, taxation, legal services, information systems, human resources and communication.

These functional divisions are generally responsible, under the authority of the Executive Committee (see section 14.2 of this reference document), for the coherence and control of the Group

(1) Vinyl activities are currently subject to a divestment project.

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 Investor Relations, Consolidation/Reporting, Internal audit / Internal Control 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 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

Pursuant to accounting standard IFRS 5, which entails a separate presentation of activities subject to a divestment project, the 2010 and 2011 financial statements presented herein exclude the activities that have been divested or are to be divested (see section 20.3.B.18 of chapter 20 of this reference document). The 2009 statements have not been restated, and are identical to those featured in the 2010 reference document.

(In billions of euros)	2011		2010		2008	
Industrial Chemicals [(1)]	3.9	67%	3.2	65%	2.1	62%
Performance Products	2.0	33%	1.7	35%	1.3	38%
TOTAL	**5.9**	**100%**	**4.9**	**100%**	**3.4**	**100%**
Vinyl Products	1.1		1.0		1.0	

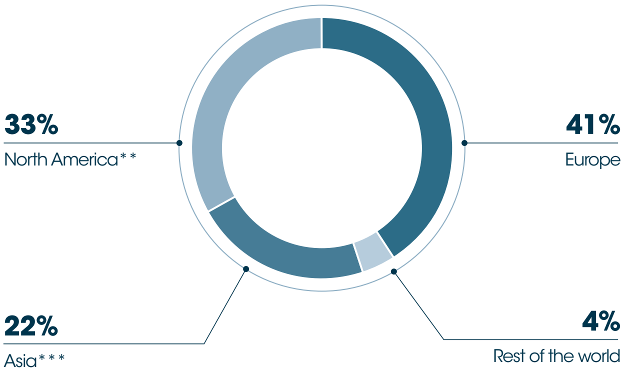
(1) Non-core activities of ARKEMA's former Vinyl Products segment which are not part of the divestment project would be transferred to the Industrial Chemicals segment.

Summary of the Group's main products in 2011 and their application areas

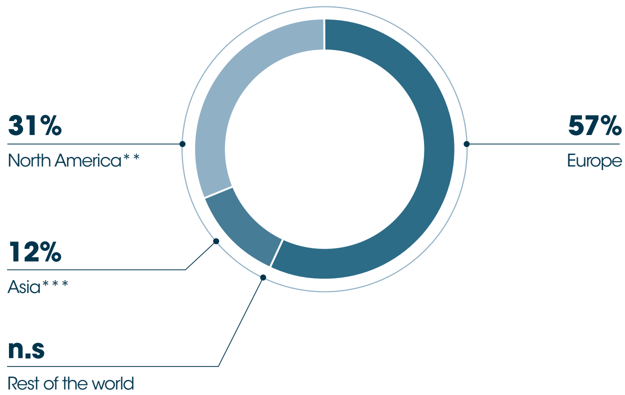
Industrial Chemicals	
Acrylics	Resins, emulsions for adhesives, paints and coatings, superabsorbents, water treatment, enhanced oil and gas recovery.
Specialty Acrylic Polymers (Coatex)	Specialty polymers used as rheology modifiers (dispersants, thickeners, etc.).
Coating Resins	Waterborne, solventborne and powder resins and rheology additives used for architectural and industrial coatings, as well as inks, sealants, varnishes and dyes for wood, road paints, adhesives, construction materials, etc.
Photocure Resins	UV-cured acrylic resins used in metal, plastic and wood coatings, in optics, printing, and electronics.
PMMA (Altuglas International)	Acrylic glass used in construction, the automotive industry, for advertising boards, in decoration, the manufacture of sanitaryware, and LED TVs.
Thiochemicals	Chemical intermediates for animal feed, 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) specialty polyamides used in the automotive industry, the aerospace and aeronautics industry, the oil industry, the electronics industry, and in the manufacture of hotmelts, (ii) polyvinylidene fluoride (PVDF) used in chemical engineering, the manufacture of paints and anti-corrosive coatings, photovoltaic panels, lithium-ion batteries, and membranes for water treatment, (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.
Vinyl Products (subject to a divestment project described in section 4.3.3. of this reference document)	
Chlorine/Caustic Soda	Chemicals, aluminum, pulp and paper, detergents and soaps, solvents, and raw materials for Vinyl Products.
Polyvinyl Chloride (PVC)	Construction, pipes, profiles, packaging, wire and cable, automotive.
Vinyl Compounds	Wire and cable, bottles, automotive, medical.
Pipes and Profiles (Alphacan)	Pipes and profiles.

Information by geographic region

2011 SALES* (CONTINUING OPERATIONS) (1): BREAKDOWN BY REGION



2011 CAPITAL EMPLOYED (CONTINUING OPERATIONS) (2): BREAKDOWN BY REGION



* *Based on the geographic location of customers.*

** *United States, Canada, Mexico.*

*** *Asia and Middle East.*

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

4.3 STRATEGY AND COMPETITIVE ADVANTAGES

4.3.1 Competitive advantages

The Group has solid competitive advantages, including:

- first-class commercial and manufacturing positions: the Group is one of the world's leading players in a large number of its businesses. This is particularly true of Acrylics, Coating Resins, Photocure Resins, Polymethyl Methacrylate (PMMA), Fluorochemicals (gas and polymers), Hydrogen Peroxide, Thiochemicals, specialty polyamides (polyamides 10.10, 11 and 12), hydrazine hydrate, tin-based PVC stabilizers, impact modifiers and PVC processing aids, additives for glass coatings, and organic peroxides;
- 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 very solid balance sheet: at 31 December 2011, the Group's net debt was €603 million (*i.e.* 0.6 time the EBITDA for the year), compared to the shareholders' equity (Group share) of €2,190 million (representing a net debt to equity ratio of 27%);
- high quality teams who have proved their ability to manage complex industrial projects and address the challenges presented by the economic environment. Finally, the Group can count on personnel whose loyalty, professionalism and experience are widely recognized.

(1) *In 2010, Group sales by region (including businesses subject to a divestment project) were split as follows: 48% in Europe, 29% in North America, 18% in Asia and 5% for the rest of the world.*

(2) *In 2010, the Group capital employed by region (including businesses subject to a divestment project) was split as follows: 63% in Europe, 26% in North America, 11% in Asia and was not material for the rest of the world.*

4.3.2 Strategy

The very significant improvement in ARKEMA's results between its operational launch in October 2004 and end 2011, has confirmed the soundness of the strategy implemented by the Group, based on the following three key areas from 2005 to 2010:

- improve competitiveness: between 2005 and 2010, ARKEMA successfully reduced its fixed costs by €540 million, well in excess of its initial €500 million programme announced at the time of its listing;
- develop growth relays both through innovation and the launch of new product lines and through geographic development;
- refocus its portfolio of activities:
  - between 2005 and 2010, ARKEMA divested part of its least strategic assets. The divested businesses accounted for sales of approximately €480 million,
  - between 2005 and 2010, ARKEMA also consolidated its best product lines, and completed acquisitions that contributed further sales of €650 million in 2010, including the acquisition of Coatex end 2007 and that of certain acrylics assets from The Dow Chemical Company in North America in January 2010.

End 2010, the Group finalized a first stage of its transformation and entered into a more sustained growth phase with the ambition to become one of the world's specialty chemical top players. Innovation, a faster pace of development in emerging countries, and bolt-on acquisitions are at the heart of this project.

In this context, new targets were set. The Group thus aimed to achieve in 2015 an EBITDA above €1 billion euros. When announcing, in November 2011, its project to divest its vinyl businesses (see section 4.3.3 of this reference document), the Group upgraded this EBITDA target to €1,050 million without Vinyl Products segment.

To achieve this, the Group intended to:

- allocate between one third and one half of its development investments to emerging countries, where it aims to achieve 25% of its sales. Building on its past developments and future start-ups, the Changshu site in China became the Group's largest production platform in the world in 2011;
- generate €500 million of new sales between 2010 and 2015 from high added value products thanks to its innovation effort, in particular in sustainable development;
- continue to strictly control fixed and variable costs in the Industrial Chemicals and Performance Products segments;
- make bolt-on acquisitions aimed at boosting the Group's best product lines, while maintaining a solid financial structure.

  Accordingly, the Group announced the following operations in 2011, which together represent total sales of around €1 billion, thus finalizing its acquisition program initially announced for the 2011-2015 period:

  - the closing on 1 July 2011 of the acquisition of Total's coating resins and photocure resins. The coating resins from Cray Valley and Cook Composites and Polymers and the photocure resins from Sartomer complement its product offering for the coatings market, and strengthen the downstream integration of its acrylics business. Representing sales of around €850 million in 2011 and almost 1,750 people across some twenty sites, these new activities have enabled the Group to become one of the world leaders in the materials for coatings and paints market. The coating resins activities have joined the Emulsion Systems BU as part of a new structure named Coating Resins, while the Sartomer activities (Photocure Resins) make up a new business unit;
  - the acquisition of a range of specialty chemicals, namely Seppic's alkoxylates business for industrial markets, finalized on 31 December 2011. This activity, which generated sales of €53 million in 2011, becomes part of the Specialty Chemicals BU (CECA), and allows it to extend its surfactant range and bolster its positions in industrial niche markets with high growth potential. It also helps sustain the growth of Coatex, as alkoxylates represent key components in the manufacture of a new range of rheology additives;
  - the acquisition completed on 1 February 2012 of Chinese companies Hipro Polymers, a producer of specialty bio-sourced polyamides 10.10, and Casda Biomaterials, a leading producer of sebacic acid processed from castor oil, and used in particular for the production of these polyamides 10.10. Both acquisitions representing total sales of 230 million US dollars in 2011, aptly complement the Group's polyamide 11 and 12 range, and are fully in line with its growth strategy in green chemistry, while increasing ARKEMA's presence in China.
  - the signing in June 2011 by ARKEMA and Canada Fluorspar Inc. (CFI) of a memorandum of understanding to jointly develop a fluorspar mine in Canada. Totalling 100 million Canadian dollars, this investment will enable ARKEMA to benefit from a long-term competitive access to a strategic raw material of its fluorochemicals business in North America.

End 2011, the Group generated €1,034 million EBITDA. Taking into account this performance and the portfolio repositioning achieved since spin-off, the Group upgrades its long-term targets and aims to achieve sales of €8 billion and an EBITDA of €1,250 million in 2016. These targets defined in normalized environment are detailed in chapter 13 of this reference document.

These broad strategic guidelines are detailed below by business segment.

4.3.3 Divestment project of vinyl business

In November 2011 ARKEMA announced a project to divest its vinyl business to the Klesch group, specializing in industrial commodity activities. The new structure would be placed under the responsibility of a dedicated management team from ARKEMA, and would have a strong financial structure as well as an ambitious industrial project. This would result in the creation of an independent and integrated leader in the European PVC industry, to be headquartered in Lyon (France). The businesses to be divested comprise virtually all chlorochemicals/PVC, pipes and profiles, and PVC compounds activities, and together employ 2,630 people in 10 countries. In 2011 these activities accounted for sales of €1.1 billion. The project entails the divestment of all assets in France directly related to the chlorine and derivatives activities, as well as all downstream activities around the world (compounds, pipes and profiles). The Jarrie facility (France), which will no longer be part of the vinyl value chain (following the planned closure of dichloroethane production), would not be transferred to this new structure. The Saint-Auban (France) facility would only be concerned by the transfer of the PVC paste activity. The Balan (France) EVA activity would not be concerned by the project.

The project remains subject to the legal information and consultation process of the workers councils in the various entities and countries concerned, and to the approval by antitrust authorities.

With the announcement of its project to divest its vinyl business, ARKEMA would focus on its specialty businesses, and continue to implement its growth strategy in its main product lines, in particular in innovative solutions dedicated to sustainable development and in emerging countries. With leading positions in its main products, ARKEMA would achieve proforma sales estimated at some €6.5 billion (following the integration on a full year basis of specialty resins bought from Total and the other acquisitions finalized in 2011 and beginning 2012).

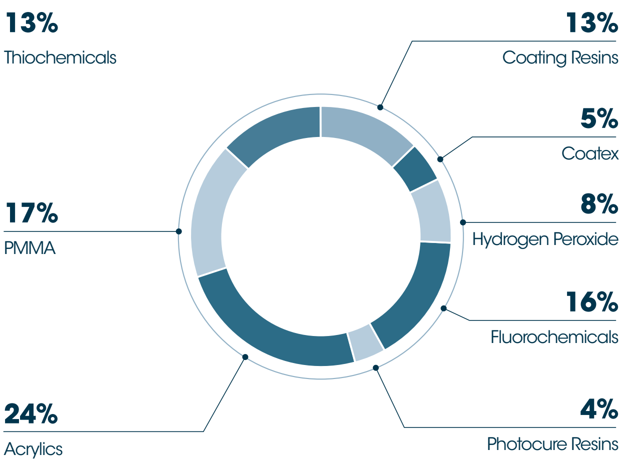
4.4 OVERVIEW OF THE GROUP'S BUSINESS SEGMENTS

4.4.1 Industrial Chemicals segment

Key figures

(In millions of euros)	2011	2010	2009
Sales	3,928	3,171	2,109
EBITDA	732	571	306
Recurring operating income	560	417	177
Capital expenditure *(gross)*	246	151	127

Breakdown of the segment's sales by BU (2011) (1)



General description of the segment's business

End 2011, the Industrial Chemicals segment comprised eight BUs: Acrylics, Coating Resins, Specialty Acrylic Polymers (Coatex), Photocure Resins (Sartomer), 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 Asia.

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. The Group is also present in Asia and already has an industrial base there for the production of fluorochemicals, hydrogen peroxide, PMMA, coating resins, photocure resins, and specialty acrylic polymers.

(1) *In 2010, segment's sales split by BU was the following: 27% for Acrylics, 21% for PMMA, 15% for Thiochemicals, 17% for Fluorochemicals, 8% for Hydrogen Peroxide, 5% for Specialty Acrylic Polymers (Coatex) and 7% for Emulsion Systems.*

The Industrial Chemicals segment intends 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, developping cooperation projects with its major partners, and increasing its downstream integration.

After acquiring in 2010 certain acrylics assets from The Dow Chemical Company in North America (Clear Lake monomer site (Texas) and acrylic latex activities (emulsions)), for a US$50 million enterprise value, ARKEMA acquired in July 2011 Total's coating resins and photocure resins. Following these operations, ARKEMA moved up to third position in the world [(1)] among producers of acrylic monomers (second place in North America [(1)]), and has become one of the world leaders in photocure resins and in materials for coatings and paints.

The coating resins activities have joined the existing Emulsion Systems BU as part of a new structure named Coating Resins, while the Sartomer activities (Photocure Resins) make up a new business unit. The Group has stated that it was aiming at a 14% EBITDA margin as well as sales of around €900 million by 2015 (in a normalized environment) for the various activities acquired from Total.

ACRYLICS BU (16% OF GROUP SALES IN 2011)

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

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

The main downstream markets for the Acrylics BU are coatings (paints, UV curing, etc.), superabsorbents, plastic additives, water treatment, paper and adhesives, as well as enhanced oil and gas recovery. In the next few years, growth in coatings and in particular paints should be underpinned by the development of the construction market in emerging countries and by the growing use of high performance formulations in paints. In superabsorbents, demand should be sustained by the growing use of baby diapers in emerging countries (China, India, etc.) and by an ageing population in the more mature markets. Water treatment should also enjoy buoyant growth thanks to the industrialisation of emerging countries and the tightening-up of environmental regulations regarding the treatment of municipal and industrial water. In the coming years, world growth in acrylics end-markets could average 4 to 5% per year [(1)].

The use of acrylic monomers within the Company accounted for around 40% of the Group's production in 2011.

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 a challenging economic environment. In 2010 and 2011, an improvement in market conditions coupled with a favourable supply/demand balance led to a noticeable recovery in acrylic unit margins. For 2012, mid-cycle margins are assumed.

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.

The main competitors of the Acrylics BU are BASF, The Dow Chemical Company, and Nippon Shokubai.

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

Some acrylics assets acquired from The Dow Chemical Company in North America were included in the Acrylics BU on 25 January 2010.

In November 2010, ARKEMA announced a US$110 million modernisation and reliability investment plan over three years on its Clear Lake and Bayport (Texas) sites in the US in order to accommodate the growth of the acrylics and derivatives activity in the growing markets of water treatment, superabsorbents, and enhanced oil and gas recovery. In practice, this investment plan will focus on projects that improve the competitiveness and reliability of the Clear Lake acrylic acid plant, due to be completed beginning 2013, on the construction of a methyl acrylate production line due to come on stream in the second quarter 2013, and the conversion on the Bayport site of a butyl acrylate plant for the production of 2-ethyl hexyl acrylate to be completed beginning 2012. This project illustrates the Group's ambition to continue to develop this strategic business while improving its competitiveness.

ARKEMA announced in November 2010 the construction on its Carling site (France) of a new plant to produce DMAEA, an acrylic acid derivative for flocculants used in the treatment of wastewater, which are seeing a strong increase in demand in Europe and in Asia, as well as a plan to upgrade the site's energy production plant and equipment. This new plant will become operational in the first half of 2012. These investments total €30 million.

Additionally, in May 2011, Sumitomo Seika announced its intention to build a new superabsorbent production plant on the ARKEMA acrylics platform in Carling (France). This project will raise the site's superabsorbent overall production capacity to 47,000 ton/year. The new plant is due to come on stream in the spring of 2013. The launch of this new industrial plant will help consolidate the position of the ARKEMA Carling site, which supplies Sumitomo Seika with acrylic acid.

In the future, 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 aims to secure new sources of supply in Asia.

(1) Source: SRI-CEH Acrylic Acid & Esters, February 2011 and ARKEMA internal estimates.

COATING RESINS BU (9% OF GROUP SALES IN 2011)

The Coating Resins BU is the result of the merger of the Emulsion Systems BU (created in 2010 following the acquisition in January 2010 of certain acrylics assets from The Dow Chemical Company in North America) and Total's coating resins business, acquired on 1 July 2011 (Cray Valley and Cook Composites and Polymers).

The acquisition of Total's resins increases the downstream integration of ARKEMA's acrylics value chain, alongside the acrylic polymers from Coatex and the emulsions from The Dow Chemical Company in the United States.

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

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

Over the coming years, the annual growth rate of this activity could be 3% on average [(1)].

The Group now ranks among world leaders in the coatings materials market. The main competitors of the Coating Resins BU are BASF, The Dow Chemical Company, Cytec and DSM.

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

Finally, the construction of an acrylic latex plant in China was announced in September 2010 for the production of a range of emulsion polymers primarily earmarked for the coating and adhesive markets. Due to come on stream end 2012, this new plant is based on the Changshu platform (China), and represents capex of US$30 million.

PHOTOCURE RESINS BU (SARTOMER) (3% OF GROUP SALES IN 2011)

The acquisition in July 2011 of Sartomer, the world leader in the photocure resins market, has led to the creation of the Photocure Resins Business Unit.

With this acquisition, ARKEMA complements its offering for the specialty coatings market, while increasing the downstream integration of its acrylic value chain.

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

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

Following the acquisition of the Sartomer activities, the Group has become a world leader in the photocure market. The main competitors of the Photocure Resins BU are Cytec and Eternal.

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

SPECIALTY ACRYLIC POLYMERS BU (COATEX) (3% OF GROUP SALES IN 2011)

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.

In 2011, Coatex continued its development, with:

- the start-up in October 2011 of a specialty acrylic polymer production plant on ARKEMA's Changshu site (China) representing some US$20 million capex;
- the opening of a new Asia Pacific technical center in Changshu, China, to provide technical support to its Asia Pacific customers operating in the decorative paint, paper, construction and mineral treatment markets.

In March 2011, Coatex exhibited its eco-friendly rheology additives at the European Coatings Show. These innovations are based on environmentally sound technologies: solvent-free, low VOC products with no heavy metals. In October 2011 Coatex was presented with an Eco-responsible Suppliers award at GICA (Green Industrial Coating Asia) for its new eco-responsible additive technologies.

(1) Source: ARKEMA internal estimates.

Finally, ARKEMA and Omya, Coatex's historical and main customer, are engaged in strategic cooperation, in particular in technical and marketing fields.

PMMA BU (ALTUGLAS INTERNATIONAL) (11% OF GROUP SALES IN 2011)

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 in particular with LED TVs, and household goods. In the automotive market, over and above the traditional applications of PMMA such as rear lights, new applications are developing, in particular panoramic roofs. The signs and display market is sustained by increasing advertising expenditure and by an improvement in the standard of living in emerging countries. Finally, the development of television sets using the LED technology represents an interesting growth potential for PMMA. In the coming years, annual world growth in PMMA end-markets could stand at 3.5% a year on average [(1)].

The Group is a leading producer of PMMA in the world [(2)]. Its main competitors are Evonik, Mitsubishi Rayon, and Sumitomo Chemical.

The global size of the PMMA market is estimated at 1.6 million tonnes [(1)].

In the field of innovation, in 2010 the leading PMMA brand name – Altuglas® – launched new resins for medical applications, Altuglas®CR30 and Altuglas®CR50, and a new PMMA Super Matt grade with exceptional satin finish, very soft touch, and excellent resistance to scratches and fingermarks. Finally, in October 2011, Altuglas launched its latest innovation, the Altuglas® ShieldUp nanostructured acrylic sheet. This lightweight glazing combines resistance and transparency at any temperature, and so significantly expands the traditional application fields of PMMA, while offering exceptional prospects for industries such as aeronautics, automotive, photovoltaics and security glazing.

THIOCHEMICALS BU (9% OF GROUP SALES IN 2011)

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, refining and petrochemicals, natural gas odorizers, solvents, pharmaceuticals and cosmetics. Demand for animal feed is sustained by growing poultry consumption, in particular in emerging countries. In the oil and gas sector, demand is underpinned by the development of new projects in Asia and the Middle East, and by the tightening-up of standards on the sulphur content of automotive fuel, petrol and diesel. New applications have also been developed in soil fumigation, with a product that replaces methyl bromide, due to be gradually phased out. In the coming years, annual world growth in Thiochemicals end-markets could average 4 to 5% per year [(1)].

Today, the Group is the world number one in this sector [(1)]. 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.

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

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. In August 2011, ARKEMA and Korean company CJ CheilJedang announced the construction of the first world-scale plant for bio-methionine (a sulphur amino acid used extensively in animal feed) and of a thiochemicals platform in Kerteh, Malaysia. The project would pool together two complementary expertises, that of CJ CheilJedang, which has developed a new innovative and highly competitive industrial bio-fermentation process to produce L-methionine from plant-based raw materials (which is assimilated more easily by animals than DL-methionine currently on the market), and that of ARKEMA, which has extensive know-how and experience in the production process of methyl mercaptan, a sulfur-based intermediate that is key to the manufacture of methionine. The plants are due to come on stream end 2013. The project represents overall capital expenditure of US $400 million evenly split between both partners.

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

Additionally, the Thiochemicals BU is in the process of addressing in France the consequences of the depletion of the Lacq natural gas field, anticipated for 2013, that currently provides sulfur to its Lacq facility. An investment programme in the Lacq basin was launched by Sobegi, in partnership with Total EP France and ARKEMA, and with the support of the French State, entailing a complete reorganization of the Sobegi platform's industrial infrastructures, which should allow the thiochemical activities to continue under economic conditions deemed competitive as of the date of this reference document. These investments would amount to €150 million, with ARKEMA's share estimated at this stage at around €30 million.

(1) Source: ARKEMA internal estimates.

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

FLUOROCHEMICALS BU (11% OF GROUP SALES IN 2011)

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 polytetrafluoroethylene (PTFE) and polyvinylidene fluoride (PVDF)). Growth in sales of fluorogases is linked in particular to (i) growth in refrigeration markets buoyed by the development of air-conditioning equipment in emerging countries, (ii) increasing sales of fluorinated polymers thanks in particular to the development of new energies – certain fluorinated polymers like PVDF produced by the Group, being used in photovoltaic panels and in lithium ion batteries –, and finally (iii) strong growth in the coatings market in Asia. In the coming years, annual world growth for Fluorochemicals end-markets could average 3.5% a year [(1)].

In Fluorochemicals, the Group ranks second in the world [(2)]. Its main competitors are DuPont, Honeywell, Mexichem Fluor, and, Solvay.

The global size of the fluorochemicals market is estimated at 1.59 million tonnes [(3)].

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, albeit with quotas that will limit permissible volumes to the average of the 2009 and 2010 figures.

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 fourth generation blowing agents with nil Ozone Depletion Potential (ODP) and low GWP which feature outstanding properties, in particular in terms of insulation and dimensional stability.

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

The Fluorochemicals BU is also seeking to take advantage of the growth potential in emerging economies, particularly those in Asia. Accordingly, the Group has created two joint ventures in partnership with the Daikin group to produce and market new generation refrigerant fluids in the Asia Pacific region, and so become the fluorinated gas leader in the region. These are:

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

In June 2011, ARKEMA and Canada Fluorspar Inc. (CFI) signed a memorandum of understanding for the joint development of a fluorspar mine in Canada. The investment of some C$100 million will provide ARKEMA with long-term competitive access to strategic feedstock for its fluorochemicals operations in North America. Start-up is scheduled for early 2013.

Finally, in 2008, as part of the Group's ongoing effort in the field of sustainable development, ARKEMA started up an incinerator to burn the HFC-23 by-product from HCFC-22 manufacture. This investment has resulted in the allocation by the United Nations Framework Convention on Climate Change of 3.4 million tonnes eligible for certified emission reductions (CER), and in a reduction of over 60% in its greenhouse gas (GHG) emissions. The Group's global GHG emissions have thereby been divided by six compared to 1990, the baseline year of the Kyoto Protocol.

HYDROGEN PEROXIDE BU (5% OF GROUP SALES IN 2011)

The Hydrogen Peroxide BU has three product lines: hydrogen peroxide, sodium chlorate and sodium perchlorate, hydrazine hydrate and its derivatives. Since 1 January 2012, hydrazine hydrate has become part of the Thiochemicals BU.

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

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 2 to 3% a year) [(1)]. Energy is an important component of the production costs of this business.

(1) Source: ARKEMA internal estimates.

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

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

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

ARKEMA was awarded the 2011 Pierre Potier prize for its innovative process that uses hydrogen peroxide for effluent treatment. This innovation helps efficiently eliminate sulfur residues from industrial effluents, with the advantage of generating neither sewage sludge nor toxic by-products, unlike other processes.

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.

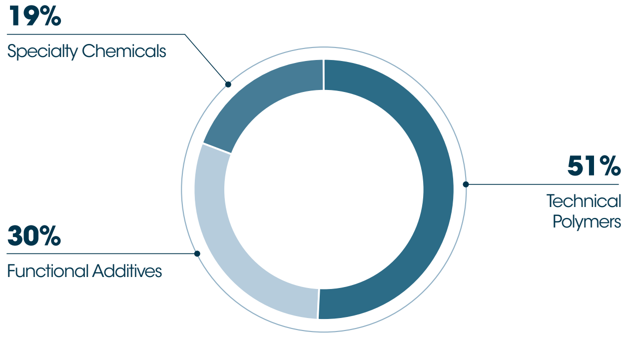
In November 2010 ARKEMA announced a project for the reorganisation of its Jarrie site in France that would entail the closure of chlorine production using the mercury electrolysis process and its replacement, within approximately two years, with membrane electrolysis, as well as the closure of the dichloroethane (EDC) plant. This facility, which would no longer be part of the vinyl value chain following the shutdown of the dichloroethane plant, would not be concerned by the divestment project described in section 4.3.3 of this reference document. The main purpose of the site being the manufacture of oxygenated products, the facility would join the Hydrogen Peroxide BU. For ARKEMA, this project represents net investments of approximately €40 million over the next two years (2012-2013).

4.4.2 Performance Products segment

Key figures

(In millions of euros)	2011	2010	2009
Sales	1,952	1,680	1,318
EBITDA	339	260	102
Recurring operating income	240	167	11
Capital expenditure *(gross)*	100	109	121

Breakdown of the segment's sales by BU (2011) [3]



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 10 (acquired on 1 February 2012), 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.

The priority of this segment is to consolidate and enhance its positioning in high added value niche markets, by boosting its presence in Asia and developing new innovative products. The acquisition, completed on 1 February 2012, of Chinese companies Hipro Polymers, a producer of bio-sourced technical polyamides 10.10, and Casda Biomaterials, the world leader in sebacic acid

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

(2) Source: ARKEMA internal estimates.

(3) In 2010, the breakdown of the segment's sales by BU was as follows: 49% Technical Polymers, 18% Specialty Chemicals, and 33% Functional Additives.

derived from castor oil and used in particular for the production of polyamides 10.10, is fully consistent with this strategy.

TECHNICAL POLYMERS BU (17% OF GROUP SALES IN 2011)

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

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 holds leading positions in the production of specialty polyamides (polyamides 11 and 12) [1]. It is the only producer of polyamide 11, and its main competitors for polyamide 12 are Evonik and EMS. In the coming years, growth rate could average 5% a year [1].

Beginning 2012, ARKEMA strengthened its position in specialty polyamides with the acquisition on 1 February 2012 of the Chinese companies Hipro Polymers, a producer of bio-sourced specialty polyamides 10.10 (anticipated growth rate estimated at 15 to 20% per year), and Casda Biomaterials, the world leader in sebacic acid processed from castor oil and used in particular for the production of these polyamides 10.10. Both companies report aggregate sales estimated at US$230 million for 2011, and employ 750 people on two sites in China. The acquisition price is based on an enterprise value of US$365 million. Both acquisitions bolster ARKEMA's presence in China, aptly complement the Group's polyamide 11 and 12 range, and fall in line with its growth strategy in green chemistry.

PVDF is used in architectural and anticorrosion coatings, electric cables, photovoltaic panels, lithium-ion batteries, and membranes for water treatment. The Group is joint world leader in this product [2], with Solvay as its main competitor. In the coming years, growth rate could average 7% a year [1].

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

Since 2009, several ultra high performance polymers have been launched, 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);
- a nanostructured thermoplastic polymer for the encapsulation of new-generation photovoltaic modules marketed under the brand name Apolhya® Solar;
- Rilsan® PA11, the first high performance polyamide to be approved in the United States for the manufacture of pipes for high pressure natural gas, already with two worksites where corroded steel pipes have been replaced with Rilsan® PA11, which requires minimum maintenance for an installation cost comparable to that of steel pipes;
- the new Rilsan® PA11, a technical polymer of 100% vegetable origin, for the textile fiber market, and with a unique combination of performances (light weight, soft touch, antibacterial properties, resistance to wear and abrasion); and
- an ethylene-vinyl acetate copolymer (Evatane® 33-45PV) intended in particular for photovoltaics with the encapsulation of cristalline silicon cells in solar panels.

In Research and Development, ARKEMA also:

- developed two new impact modifiers for polyamides 6 and 6.6. In response to its customers' needs, in particular in the automotive, industrial and domestic markets, ARKEMA has developed a new grade, Lotader® 2200, specifically suited to the manufacture of polyamide 6.6 parts requiring excellent impact resistance at very low temperatures (mirrors, hubcaps, handles, lawnmower casings, etc.);
- put in place with Japanese company Toyobo a strategic partnership in the area of high-temperature polyamides made out of renewable raw materials; and
- developed Kynar Aquatec®, an innovative and long-lasting coating. This ultra long life protective coating is also designed to reflect the sun's rays, hence saving air-conditioning costs and therefore reducing the energy bill of buildings.

The Group has 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. These projects include:

- the start-up in March 2011 of a new VF2/PVDF production plant at Changshu (China), and the announcement in January 2011 of a 50% production capacity increase effective mid-2012. The accelerated development of this plant will help meet the fast growing demand for PVDF resins in emerging technologies, in particular for applications in new energies and water filtration; and
- the creation of a joint research laboratory run by ARKEMA and INES dedicated to the development of polymer materials for photovoltaics.

SPECIALTY CHEMICALS BU (CECA) (6% OF GROUP SALES IN 2011)

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.

(1) Source: ARKEMA internal estimates.

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

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) [(1)], 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.

At the end of 2011, ARKEMA finalised the acquisition of Seppic's specialty alkoxylates business for industrial markets. This includes in particular a world-class industrial site located in Antwerp (Belgium), and employs 50 people. This activity generated sales of €53 million in 2011. By acquiring an industrial facility that complements its two sites at Feuchy and Châteauroux (France), CECA is expanding its specialty surfactant range, which grows at around 5% per year. This acquisition will also help sustain the growth of Coatex, as alkoxylates represent key components for a new range of rheology additives.

FUNCTIONAL ADDITIVES BU (10% OF GROUP SALES IN 2011)

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 ranks among the world leaders in its main applications. In tin-based stabilizers, its main competitors are The Dow Chemical Company and Galata Chemicals.

Additives are produced in Europe, North America and Asia.

In terms of R&D, in August 2010 the Functional Additives BU launched Durastrength®365, a patented innovation that is unique in the acrylic impact modifiers market for PVC window profiles, offering unrivalled cost efficiency.

4.4.3 Vinyl Products segment

In November 2011, ARKEMA announced a project to divest its vinyls business to Klesch group (see section 4.3.3 of this reference document).

In 2010 and 2011, figures correspond only to the scope of business subject to a divestment project.

Key figures

(In millions of euros)	2008	2010	2009
Sales	1,090	1,036	1,005
EBITDA	(24)	(19)	(31)
Recurring operating income	(66)	(59)	(80)
Capital expenditure *(gross)*	59	50	50

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, vinyl chloride monomer (VCM), chloromethanes, chlorinated derivatives and PVC, Vinyl Compounds, and the Pipes and Profiles business (Alphacan).

In 2011, the Vinyl Products segment was organized around three BUs: Chlorine/Caustic Soda and PVC, Vinyl Compounds, Pipes and Profiles (Alphacan).

In a mature European market, the performance of the Vinyl Products segment depends on a variety of factors, including:

- a balance between supply and demand that today is still marked by significant overcapacities;
- 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; and

(1) *Source: ARKEMA internal estimates.*

- the balance between chlorine and caustic soda that are necessarily produced in equal quantities, but for which demand varies independently.

In 2011, market conditions in construction in Europe remained challenging.

CHLORINE/CAUSTIC SODA AND PVC BU

The Chlorine/Caustic Soda and PVC BU includes chlorine-caustic soda electrolysis (membrane, diaphragm and mercury processes) and production of downstream products (VCM, chloromethanes and chlorinated derivatives), as well as the manufacture of PVC (general purpose PVC and special purpose PVC), and its marketing.

The majority of the chlorine and VCM produced is used internally within the Vinyl Products segment, 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. As part of the project to divest the vinyl business, the T111 production unit at Saint-Auban (France) would be transferred to the Fluorochemicals BU.

Virtually all caustic soda produced is sold on the market.

For chlorine, the Group's production plants are based in France exclusively, and its main competitors are The Dow Chemical Company, Solvay, AkzoNobel, Bayer and Ineos. For PVC, the Group's production capacities, based exclusively in Southern Europe, place it in third position in Europe [1], its main competitors being Kerling (Ineos), SolVin, Tessenderlo, Vinnolit and Shin Etsu. The markets in which the Chlorine/Caustic Soda and PVC BU operates are mature.

In 2010 and 2011, the Group continued its competitiveness drive, in particular with:

- the closure at the beginning of 2010 of a 30,000 tonne PVC production unit on the Balan site (France), and the site's refocusing on the two remaining production units totalling 295,000 tonne capacity which will be upgraded to further improve their productivity; and
- the streamlining, in July 2010, of the industrial structure of the joint PVC production entities between ARKEMA and SolVin.

VINYL COMPOUNDS BU

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 SolVin (Solvay group), TPV (ex Ineos), and CTS (Tessenderlo group).

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.

The Vinyl Compounds BU is 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.

PIPES AND PROFILES BU (ALPHACAN)

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 plants, 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, wastewater 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 are marketed in Germany and the Benelux countries, the French subsidiary having been sold to Pipelife in 2011. They represent a mature market and a highly competitive industry with very high levels of standardization. The main players in this market are Wavin, Pipelife, and Tessenderlo.

In profiles, Alphacan sells its products mainly in Southern Europe. The main players in this market are Profine, Deceuninck, Veka, Rehau and Aluplast.

(1) Source: Parpinelli Tecnon ATEC 2008.

5

INFORMATION ABOUT THE COMPANY

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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* governed by the legislative and regulatory provisions of the *Code de commerce.*

5.1.5 Significant events in the development of ARKEMA's activities

Please refer to section 4.4 of this reference document.

5.1.6 Recent significant events

5.1.6.1 Significant events between 31 December 2011 and the close of the accounts by the Board of Directors on 7 March 2012

See notes 31 and A. Highlights of the notes to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

5.1.6.2 Significant events since the closes of the accounts by the Board of Directors on 7 March 2012

None.

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 including Vinyls to €301 million in 2009, €315 million in 2010, and €424 million in 2011. On average [(1)], the Group has therefore invested around €347 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 53% of the total, and (ii) development projects, in the form of either major projects or productivity improvements in existing facilities, accounting for approximately 47%.

Excluding the activities subject to a divestment project and in accordance with standard IFRS 5, the Group's gross tangible and intangible capital expenditure amounted to €265 million in 2010 and €365 million in 2011. Over these two years, the Group therefore made investments of around €315 million euros. Over the period, 63% of capital expenditure were spent on the Industrial Chemicals segment, 33% on the Performance Products segment and 4% on Corporate. 58% of these investments were made in Europe, 25% in North America, and 17% in Asia. Approximately 54% of investments were allocated to the maintenance of industrial facilities, safety and environmental protection, and approximately 46% to development projects, in the form of either major projects or productivity improvements in existing facilities.

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

Year	BU	Description
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)
2010	**Fluorochemicals**	Start-up of an HFC-125 production plant at Changshu (China) in partnership with Daikin
	Technical Polymers	Production capacity increase for Kynar® PVDF at Calvert City (United States)
2011	**Specialty Acrylic Polymers**	Start-up of a rheology additives production plant at Changshu (China)
	Technical Polymers	Start-up of production plants for Kynar® PVDF and related monomer at Changshu (China)
	Incubator	Start-up of carbon nanotube pilot production plant at Mont (France)

Furthermore, on 1 July 2011, the Group acquired Total's photocure resins and coating resins business, and on 31 December 2011 Seppic's specialty alkoxylates activity.

The Group also acquired a 19.9% equity stake in Canadian company Canada Fluorspar Inc., and set up a 50%-50% joint venture with this partner to develop and operate a fluorspar mine at St. Lawrence (Newfoundland – Canada).

(1) Over the past 3 years.

5.2.2 Description of main current investment projects

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

Acrylics	Construction of new DMAEA production plant at Carling (France) Modernization and production capacity increase for acrylic acid at Clear Lake (United States)
Coating Resins	Construction of acrylic latex production plant at Changshu (China)
Thiochemicals	Construction of a thiochemicals production platform at Kerteh (Malaysia) combined with a project to produce bio-methionine in partnership with CJ CheilJedang
Fluorochemicals	Extension of HFC-125 production capacity and construction of refrigerant blend plant at Changshu (China) Development of a fluorspar mine in partnership with Canada Fluorspar Inc. at St. Lawrence (Newfoundland – Canada)
Technical Polymers	50% increase of Kynar® PVDF production capacity at Changshu (China)

On 1 February 2012, the Group completed the acquisition of Chinese companies Hipro Polymers and Casda Biomaterials in specialty polyamides.

Capital expenditure is first and foremost financed by the resources generated by the Group in the year. Beyond this, the Group can use the credit resources detailed in section 10.2 of this reference document.

5.2.3 Future capital expenditure

In 2012, taking into account its ambitious capital expenditure plan in its acrylics activity in the United States and of the acceleration of growth in Asia, the Group expects to spend capital expenditure of around €350 million. This amount excludes some non-recurring capex representing around €50 million which mainly correspond to the investment plan at Jarrie (France) as part of the conversion of the mercury electrolysis into membrane, investments on the Thiochemicals site in Lacq (France) required to consolidate the raw material supply of the site and the investments relating to the construction of a Thiochemicals platform in Malaysia.

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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 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. However, none of these sales represented more than 3% of total Group sales in 2011. 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.

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 15 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, some of the Group's businesses in particular the vinyl businesses which are the subject of a divestment project, 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, castor oil, and fluorspar.

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 23.5 and 24 of the notes to the financial statements at 31 December 2011 presented in chapter 20 of this reference document).

The Group has entered into agreements for the supply of certain raw materials and energy resources; should these be damaged or destroyed in the event of an accident, this could adversely affect the Group's financial situation.

For those sites, in particular the chlorine sites belonging to the vinyl businesses that are the subject of a divestment project, for which the price of electricity used by the Group in France accounts for a significant portion of the production cost of certain products, any deterioration in the Group's electricity purchasing terms could have a significant adverse effect on the Group's business, financial situation, results and future prospects.

A description of the supply conditions for the Group's plants is provided in section 22.1.1 of this reference document.

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 end 2013. An investment program in the Lacq area was launched by Sobegi in December 2010, in partnership with Total EP France and ARKEMA, and with the support of the State; this would allow a complete overhaul of the Sobegi platform's industrial infrastructures, and should allow the continuation of the thiochemicals activities under economic conditions deemed competitive at the date of this reference document. These investments would amount to €150 million, with ARKEMA's share estimated at some €30 million at this stage.

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.

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

Except for the chlorine caustic soda electrolysis using the mercury process, no legislative or regulatory change has, to the best of the Company's knowledge, a sufficiently precise scope or schedule to be considered, at the date of this reference document, as likely to put another technology of the Group at risk and to adversely affect the business, results and financial situation of the Group (excluding the discontinued operations).

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 Group'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 particular paints, construction, automotive and electronics.

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 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, 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. This is the case with fluorinated gases in particular, where regulatory changes lead to the development of new blends or substitutes for which patent registration can prove a decisive factor. 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 around 2.2% 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 2011 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 14 production facilities in the United States near the Gulf of Mexico (ten sites) and near the Ohio and Mississippi Rivers (four sites), three sites in Asia (China, India, Malaysia) and two sites in Europe (Italy) that 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.

Risks relating to external growth and business divestment operations.

The Group announced on 23 November 2011 a project to divest its vinyl business. Since the announcement, the project has proceeded on schedule, and as at the date of this reference document, no elements would indicate that the project would not be completed. Until such time however, as with any other operation involving corporate assets, such an eventuality cannot be ruled out completely. In this case, the Group would have to envisage alternative solutions, which could impact both its results and its 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, labelling, 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 Authorisation of Chemicals (REACH) as well as the restrictions applicable to these substances, which came into force on 1 June 2007, European regulation n° 1272/2008 of the European Parliament and of the Council of 16 December 2008 relating to the Classification, Labelling and Packaging of substances and mixtures (CLP), which came into force on 20 January 2009, European regulation n° 1005/2009 of the European Parliament and of the Council of 16 September 2009 concerning ozone-depleting substances, which came into force on 1 January 2010, as well as the European Commission's decision of 18 June 2010 n° 2010/372 regulating the use and emissions of these substances (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. The Classification, Labelling and Packaging of substances and mixtures (CLP) regulation was incorporated into the French Environmental Code by decree 2010-1232 of 21 October 2010, ratified on 5 January 2011.

Finally, directive 2009/29 of 23 April 2009 amended directive 2003/87/EC to improve the GHG 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 (i) for having caused injury or damage (a) 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) and (b) to property; or (ii) for having caused damage 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 section 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 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), Lannemezan (France), Mont (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. In its ruling of 9 March 2012, the Nanterre Criminal Court ordered Arkema France to pay a fine of €30,000 euros. Moral and financial damages in the sum of €5,000 were awarded to each of the five civil parties. Meanwhile, in 2009, proceedings were launched regarding the Spinetta site (Italy – Arkema S.r.l.). The judge decided on 16 January 2012 to uphold against the Arkema S.r.l. representatives only the failure to take steps to remedy the pollutions observed. These proceedings are currently under investigation at the date of this 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 in view of the result of 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 note 21 to the consolidated financial statements at 31 December 2011 in chapter 20 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) and the development and marketing of carbon nanotubes include 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. These carbon nanotubes were the subject of a REACH dossier filed in July 2011. The dossier was compiled from physico-chemical, toxicological and ecotoxicological studies available to characterise the hazards of a substance. An evaluation of the risks, together with risk management measures and a number of elements used to characterise the substance, have been sent to the European Chemicals Agency (ECHA).

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.

The Group also transports products by pipeline. The main risk involved in this transport method is loss of confinement following damage to the pipe by third-party works, or due to corrosion. The Group's responsibility could be involved based on the circumstances. Furthermore, the Group's activity and its results could be adversely affected.

6.2.2.5 Risks relating to storage

The Group uses many storage and warehousing facilities located on its manufacturing sites and elsewhere. Such storage facilities may present risks to the environment or to public health and safety. Accidents for which the Group may be held liable could arise in the storage and warehousing 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 may enjoy special tax treatment in some countries, such as reduced tax rates under certain conditions and for limited periods of time. If such special tax treatment were to be withdrawn, amended or not renewed, this could adversely affect the Group's financial situation and results.

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 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 2011 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.

Unfavourable market conditions or the inability of one or several banks to meet their obligations to the Group with respect to one of its main credit lines could significantly reduce the Group's access to funding, or could make refinancing under equivalent conditions difficult. Such a situation could adversely affect the Group's activity, results and financial situation.

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:

- has been rated by two rating agencies: the Group's long-term credit ratings are BBB- (outlook positive) according to credit rating agency Standard & Poor's, and Baa3 (outlook stable) according to credit rating agency Moody's;
- seeks to diversify its sources of financing while extending their average maturity;
- limits its exposure to liquidity risk through a banking policy favouring global relationship with strong investment grade commercial banks; and
- 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.

The Group has a variety of sources of financing, and related early repayment clauses, if applicable, are described in section 10.2 of this reference document. These sources include primarily:

- a €500 million bond issue with an October 2017 maturity date;
- a variable rate line of credit of €300 million with a 31 March 2013 maturity date;
- a variable rate line of credit of €700 million with a 26 July 2016 maturity date; and
- a trade receivables securitisation program representing €240 million maximum financing.

The Group's financial costs and its ability to raise further financing could be significantly impacted by the Group's credit ratings. Downgrading of the Group's credit ratings would increase the cost of some of its borrowings, and could impair its ability to refinance its existing debt.

The net debt of the Group at 31 December 2011 amounted to €603 million. This net debt represents 0.6 time the consolidated EBITDA for the year ending 31 December 2011.

At 31 December 2011, the unused portion of both syndicated credit facilities stood at €1 billion. The Group also had cash and cash equivalents of €252 million.

For more details, please refer to notes 23 and 24.3 of the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

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 9.2.5 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 2011, 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	0.35	0.03	0.15
Trade accounts payable	(0.15)	(0.01)	(0.06)
Bank balances and loans/borrowings	0.00	0.00	(0.03)
Off-balance sheet commitments *(currency hedging contracts)*	0.12	(0.03)	(0.06)
NET EXPOSURE*	**0.32**	**(0.01)**	**0.00**

* *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 24.1 and 25 of the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

6.2.4.3 Interest rate risk

At 31 December 2011 the Group's net debt was €603 million, which included essentially a €500 million bond issue with a 4% fixed rate, and the use of the €90 million securitization program. Details of the terms of this financing are given in section 10.2 of this reference document.

Based on the above, a 1% increase in interest rates would have an impact of €1 million on the cost of the debt.

The Group has not entered into rate swaps on its bond issue. However, the Group's general policy with respect to indebtedness is normally 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 one year) and fixed rates (more than one year) was as follows on 31 December 2011:

(In millions of euros)	DD to one year	One to five years	Over five years
Financial liabilities	(349)	(3)	(503)
Financial assets	252	-	-
Net exposure before hedging	(97)	(3)	(503)
Hedging instruments	-	-	-
Off balance sheet	-	-	-
NET EXPOSURE AFTER HEDGING	**(97)**	**(3)**	**(503)**

For more details, please refer to notes 24.2 and 25 of the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

6.2.4.4 Listed shares risk

In 2011 the Group acquired a 19.9% equity stake for CAD 15.5 million in the listed company Canada Fluorspar Inc. Outside treasury shares, the Group's companies do not own any other shares in listed companies at the date of this reference document.

On 31 December 2011, the Company owned 214,080 of its own 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 2011, accounts receivable amounted to a total of €834 million. These accounts receivable are detailed by due date in note 23.4 of the consolidated financial statements at 31 December 2011 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 15 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 secure a significant proportion of its accounts receivable. More detail is given in note 23.4 to the consolidated financial statements at 31 December 2011 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 23.4 to the consolidated financial statements at 31 December 2011 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 2011, the amount of cash invested with banking establishments or money market funds amounted to €252 million.

The Group limits its exposure to credit risk by investing only in assets offering a high level of security with diversified leading counterparts.

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 23.4 to the consolidated financial statements at 31 December 2011 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 21 to the consolidated financial statements at 31 December 2011 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.

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).

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 that one or more of these insurers, at the time of settling a claim, could be in a difficult, even compromised, financial situation casting doubt over the effective payment of compensation for the said claim cannot be ruled out.

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

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

6.2.7 Risks relating to information systems

Information systems based on complex technical environments are a key component of many processes. Despite the rigorous controls and the recovery plans in place, a significant failure cannot be fully excluded. In such an event, this could have a major impact on the Group's activity and results.

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 2011 financial year, the total amount of premiums paid by the Group and relating to the Group's insurance policies presented hereafter, was less than 1% of its sales.

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

The Group will retain a certain level of risks either through deductibles on its insurance policies or centrally through a captive reinsurance company. This captive reinsurance company is active only in property insurance. The purpose of this captive company is to 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. Up to 31 December 2011, the maximum total retention in the event of a major claim was €25 million. Effective 1 January 2012, this maximum amount should range from €19 to €21 million.

The limit of cover for direct damage and business interruption can amount to €700 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 with a limit of USD 50 million. Under certain conditions, this policy covers the environmental risks associated with the Group's production sites located in the United States. It covers all future accidents affecting the environment, whether inside or outside the American facilities, but it does not cover cases of pollution which were already known in 2005 and which are caused by past operations.

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

6.4 LITIGATION

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 21.2.1 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

6.4.2 Other litigation

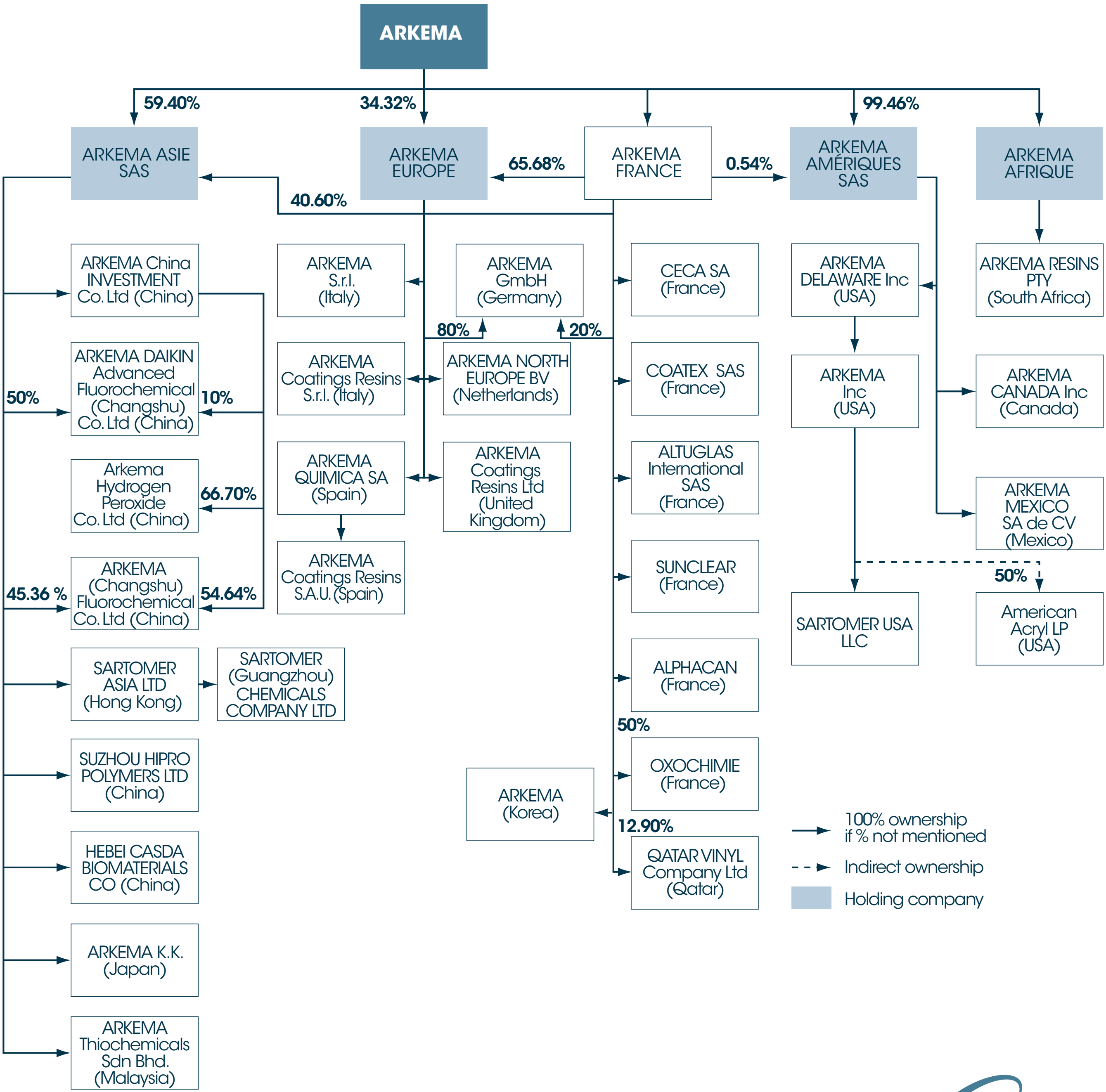
In the normal course of its activities, the Group is involved or may be involved in a number of administrative or legal procedures, the major claims or potential claims being detailed in note 21 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

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

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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 2011 was €1,706 billion excluding the Vinyl Products segment's activities that are now the subject of a divestment project (see section 4.3.3 of this reference document). 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, labelling, 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 2009, 2010, and 2011.

	2011	2010	2009
Lost-time accidents*	2.3	3.3	2.7
Total recordable accidents	4.4	5.7	5.9

* *"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 three 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; and
- 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.

In 2011, the Group consolidated its safety actions program as described in section 17.2 of this reference document.

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 totalled €230 million in 2011. These capital expenditures amounted to €188 million for 2011 excluding the Vinyl Products segment's activities that are now the subject of a divestment project (see section 4.3.3 of this reference document).

PRODUCTION SITES

In Europe, at the date of this reference document, 32 of the Group's production sites (including those of the activities acquired by the Group from Total and Seppic in 2011) are monitored with extra vigilance, and are subject to European directive (EC) n° 96/82, dated 9 December 1996, 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.

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. 20 sites operated by the Group in France are the subject of PPTRs. The Group will be required to contribute to the funding of any measures related to these PPTRs. A funding agreement was in fact signed in December 2011 for the Marseille Saint-Menet site (France). Furthermore, ministerial decree of 29 September 2005 concerning the evaluation and consideration of the probability of occurrence, the kinetics, the intensity of the effects, and the severity of the consequences of potential accidents in hazard studies for classified facilities subject to authorization, will also entail by 2015 the introduction of additional risk control measures at the 20 sites mentioned above for which a PPTR is required.

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

In the United States, the control of risks of industrial accidents is regulated, in particular, within the framework of the 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 and warehousing facilities 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. This activity is subject to specific regulations, in particular with regard to classified facilities for the protection of the environment.

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.

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 total) 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.

The Group's reporting in terms of environmental indicators (including greenhouse gases) complies with its Reporting Directive available to all its subsidiaries. This reporting system is based on principles of relevance, representativeness and consistency. For 2011, the reporting of environmental data concerns all production sites operated by the Group as at 31 December 2011. The data published in this document relate to emissions to air, energy consumption, the amount of water withdrawn from the natural environment, emissions into water, and the amount of wastes generated.

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, including, for example, the framework directive on water 2000/60 ("DCE") as regards water emissions. The Group has also taken part in a national campaign in France on research into hazardous substances in water fulfilling the DCE objectives.

Furthermore, under European directive (EC) n° 96/61 of 24 September 1996, called the Integrated Pollution Prevention and Control (IPPC) Directive, codified by European directive (EC) 2008/1 of 15 January 2008, the industrial sites to which it applies are subject to operating authorizations that provide for limited amounts of emissions, established on the basis of the best available techniques (BATs). This directive was in particular transposed into French law by ministerial decree of 2 February 1998 which lays down the requirements applicable to emissions from classified facilities subject to authorisation. This directive was recently recast within directive 2010/75/EU on industrial emissions, adopted on 24 November 2010 by the European Council. Similarly, the United States Clean Air Act (CAA) sets federal standards relating to air pollution from fixed and mobile sources, and establishes national emission standards for 200 hazardous substances, based in particular on Maximum Achievable Control Technology (MACT).

European directive (EC) n° 2003/87, amended by European directive (EC) 2009/29 of 23 April 2009, established a GHG trading system within the European Union. Under this scheme, in accordance with the provisions of amended ministerial decree of 31 May 2007, the Group was allocated annual allowances of 712,000 EUAs (EU Allowance Units) from 2010, then 723,450 EUAs from 2012 onward to take into account the inclusion of the resins sites into the ARKEMA scope of business.

For the 2013-2020 period, the Group has filed applications for quota allocations for phase III of the European Union Emissions Trading Scheme. 8 new sites have been added to the scope of the scheme. As Group sites belong to sectors and subsectors deemed to be exposed to a significant risk of carbon leakage, they will benefit from free allocations based on their GHG emissions performance compared to relevant reference data. Quota allocations requests amount to some 1.3 million EUAs. If the allocated quotas match the requested quotas, the Group does not expect that it will need to make significant purchases of additional CO_2 allowances.

For several years now, one of the Group's priorities has been to reduce GHG emissions. 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.

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 2009, 2010 and 2011.

Emissions to air	2011	2010	2009
Volatile Organic Compounds (VOCs) *(t)*	4,190	4,120	4,031
All substances contributing to acidification *(t eq SO_2)*	5,660	5,840	5,450
GHGs *(kt eq CO_2)*	2,090	2,770	2,354
including CO_2	1,490	1,510	1,415
including HFC	540	1,190	880
Dust *(t)*	640	650	530
Carbon monoxide *(CO) (t)*	11,660	7,110	6,530

Energy and water consumptions	2011	2010	2009
Overall energy consumption *(in TWh)*	15.4	16.1	14.2
Overall fresh water consumption *(in millions of m^3)*	136	142	132

Emissions to water	2011	2010	2009
Chemical Oxygen Demand *(COD) (t of O_2)*	3,140	3,450	2,813
Suspended solids (t)	3,450	3,890	3,230

Waste *(in tonnes per year)*	2011	2010	2009
Hazardous waste excluding material recovery	210,000	190,000	154,000
including landfill disposal	3,900	3,600	7,600
Non-hazardous waste	173,000	202,000	108,000

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

The drop in the Group's production due to the 2009 economic context as well as the integration of acrylic activities purchased from the Dow Chemical Company in 2010 resulted in an increase of some environmental indicators in 2010. Excluding the resins businesses acquired from the group Total, the Group emissions would have been lower by 1 to 6% for the emissions to air and water and by 7 to 12% for waste compared to the figures mentioned in this document.

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 in particular on the legislation concerning installations classified for the protection of the environment, as codified in articles L. 511-1 *et seq.* of the Environmental Code *(Code de l'environnement),* and on the legislation concerning waste, as codified in articles L. 541-1 *et seq.* of the Environmental Code. 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 reached with the interested parties (in particular the local municipality concerned), and insofar as the prefect alone is empowered to lay down requirements for the site's remediation, and, where applicable, more stringent requirements allowing future use of the site in accordance with town and country planning documents, 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 2011 is given in note 20.4 in the notes to the consolidated financial statements 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 in physico-chemistry, toxicology and ecotoxicology work on improving knowledge of the danger characteristics of the substances and products manufactured, imported and marketed by the Group. Furthermore, regulatory experts ensure that the products marketed by the Group are indeed marketed in accordance with local, national and international regulations. To this end, they rely on a worldwide network of correspondents working on the manufacturing sites, in the BUs and in the subsidiaries.

As an example, and 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 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 Authorisation of Chemicals (REACH). This regulation came into force on 1 June 2007. This regulation was supplemented by European regulation (EC) n° 1272/2008 of European Parliament and Council of 16 December 2008 coming into force on 20 January 2009, called CLP regulation on the Classification, Labelling and Packaging of substances and mixtures.

The REACH regulation requires all manufacturers and importers of chemicals, as such or in blends, in Europe to file a complex registration file for each substance of which more than a tonne is produced or imported per year. A number of files selected by European Chemicals Agency (ECHA) will be the subject of an evaluation by the relevant authorities. An authorization procedure is required for substances of very high concern, namely those in the following categories: carcinogenic, mutagenic and reprotoxic (CMR), persistent, bioaccumulative and toxic (PBT), and very persistent and very bioaccumulative (vPvB). The Group has been preparing for the introduction of these new rules for a number of years, and expects to register 480 substances (including the resins and specialty alkoxylates activities acquired in 2011), of which 35 to 40 are potentially subject to authorization. 152 substances were already registered with ECHA by the first registration deadline of 30 November 2010. The Group estimates that compliance with this new regulation will cost it around €45 million over the 2012 to 2020 period.

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, followed by 1 in March 2010, 8 in June 2010, 8 in December 2010, 7 in June 2011, and 20 in December 2011. This list includes in particular (i) di-ethylhexyl phthalate (DEHP) produced by the Group at the Chauny site (France), ii) hydrazine produced at the Lannemezan site (France), (iii) 1.2-dichloroethane produced at the Lavéra site (France), and (iv) sodium dichromate and cobalt dichloride used by the Group as processing aids. In June 2009, ECHA recommended a selection of seven substances which it proposed to the European Commission to submit to the authorization procedure as a matter of priority, including DEHP. Following this recommendation, on 17 February 2011 the European Commission announced its decision to include DEHP and a further five substances in the REACH authorisation process. A marketing authorisation application for DEHP must be filed by 21 August 2013. Based on the decision of the authorities in 2015, certain uses of DEHP may be banned, which would have an impact on DEHP production. On 21 December 2011, ECHA made a recommendation to the European Commission to include a further 13 substances in the authorisation process. Sodium dichromate and cobalt dichloride are among these substances. In the medium term, substances submitted for authorisation may only be used for specific purposes by those companies which have been granted authorisation.

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 (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. 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 stipulated, as part of the restriction related to Perfluoro Octane Sulfonate (PFOS), that the European Commission propose measures in the future to reduce the risks associated with PFOA. PFOS, covered by the Stockholm Convention transposed in Europe into regulation 850/2004 banning the production and use of Persistent Organic Pollutants (POPs), has been withdrawn from the restrictions of Annex XVII to the REACH regulation. In this regard, DG Entreprise launched a survey on the uses of PFOA, and organised a conference in May 2010 to share the results of this investigation and identify potential regulatory solutions.

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 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 GHGs, wastes, 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 GHG emissions), and waste.

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, codified in particular in articles L. 1334-12-1 *et seq.* and R. 1334-14 *et seq.* of the Public Health Code *(Code de la santé publique)* and R.4412-94 *et seq.* of the Labor Code *(Code du travail)* and featured in 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.

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 21 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

9

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9.1 ANALYSIS OF THE GROUP'S FINANCIAL CONDITION AND RESULTS

9.1.1 Consolidated financial statements for 2011

The Group's consolidated financial statements for 2011 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 2011 is included in chapter 20 of this reference document.

9.1.2 Consolidated financial statements for 2010

For 2010, 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 31 March 2011 under n°D.10-0203.

These are incorporated by reference in this reference document.

9.1.3 Consolidated financial statements for 2009

For 2009, 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 1 April 2010 under n°D.10-0209.

These are incorporated by reference in this reference document.

9.2 COMMENTS AND ANALYSIS ON CONSOLIDATED FINANCIAL STATEMENTS FOR 2010 AND 2011

9.2.1 Accounting policies

The consolidated financial statements at 31 December 2011 were prepared in accordance with the international accounting standards issued by the International Accounting Standards Board (IASB) in conformity with the international standards such as the ones issued by the IASB on 31 December 2011, and with the international standards as approved by the European Union on 31 December 2011.

The accounting policies applied in preparing the consolidated financial statements at 31 December 2011 are identical to those used in the consolidated financial statements at 31 December 2010, except for those described at the start of note "B. Accounting policies" to the financial statements in chapter 20 and which did not have a material impact.

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 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 the paints and coatings as well as the refrigeration markets, the level of sales is generally higher in the first half of the year than in the second half; 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 in the past are not necessarily representative of future trends, but can have a material effect on the changes in results and working capital from one quarter of the year to another.

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

A number of factors affected the performances achieved by the Group's activities in 2011 to varying degrees:

- the economic environment has been globally favorable for the whole chemical industry:
  - over the first half of 2011, market conditions were very supportive with a tight balance between supply and demand in several product lines, and very strong growth in Asia,
  - the end of 2011 was, however, marked by a return to the traditional seasonality of some of the Group's activities following an atypical 2010 with significant restocking by customers. This seasonality was exacerbated, end 2011, by year-end destocking by customers,
  - market conditions differed between the various regions where the Group operates. Asia has, once again, posted very high growth rates even if growth was more moderate in the 2nd half than in the first half. In North America, growth was moderate while European growth was affected in the second part of the year by the uncertainties on sovereign debts;
- market conditions in some of the Group product lines were specific:
  - in 2011, following a marked improvement already observed in 2010, unit margins in acrylic monomers were high on average over the year,
  - Vinyl Products results were affected by a still challenging construction market in Europe,
  - fluorogases benefited from a strong demand especially in the first half of the year and in Asia in HFC-125;
- ARKEMA has once again in 2011 proven its ability to increase its selling prices in all of its product lines in a context of significantly higher raw material costs. These price increases, together with the repositioning of the portfolio in higher added value products, in particular in Performance Products, was reflected in a highly positive price effect of +14% on sales;
- the Group's many internal and external growth projects contributed to higher results:
  - developments in Asia, such as the start-up of an HFC-125 fluorogas plant in Changshu, China, in 2nd quarter 2010, which

benefited from supportive market conditions in 1st half 2011, and the startup of a Kynar® PVDF fluorinated polymer plant in March 2011,

- the many developments in fast growing emerging sectors related in particular to sustainable development (new energies, high performance bio-sourced polymers, etc.),
- the specialty resins business acquired from Total in July 2011, which strengthens the acrylics downstream activities of the Industrial Chemicals segment. The net contribution to sales of these new activities represented €408 million in 2nd half. However, as expected, these activities had a dilutive effect on the EBITDA margin of the Industrial Chemicals segment which, however, further grew in 2011 at 18.6%,

- in November 2011, the Group announced a project to divest its Vinyl Products segment to the Klesch group, which, at the date of this reference document, is subject to the ongoing information/consultation process of the workers councils and to the approval by antitrust authorities. Consequently, in accordance with standard IFRS 5, the activities concerned have been accounted for as discontinued operations. The project has resulted in an exceptional expense of €505 million mostly related to the write-offs of the assets being transferred, a provision for working capital, and the negative impact on the Group's net debt related to the cash to be transferred;
- the ongoing strict control of working capital at a time of very strong rise in sales. At end 2011, the Group's working capital to sales ratio at constant scope of business was 13.8% versus 13.3% in 2010. The Group's working capital to pro forma sales ratio (1) stood at 15%;
- the setting-up of a new syndicated credit facility totalling €700 million with a July 2016 due date. The existing line of credit with a March 2013 due date was reduced to a total amount of €300 million. With both these credit facilities, a €500 million bond issue with an October 2017 maturity date, and a €240 million securitisation program with expiry in 2015, ARKEMA has access to diversified funding sources with an average term of over 4 years.

9.2.5 Analysis of ARKEMA's income statement

In accordance with standard IFRS 5, the results of the vinyl activities concerned by a divestment project (described in section 4.3.3 of this reference document) have been accounted for in the Group's consolidated income statement as discontinued operations for both 2010 and 2011. The comments and analysis below exclude the vinyl activities unless otherwise stated.

(In millions of euros)	2011	2010	Variations
Sales	**5,900**	**4,869**	**21.2%**
Operating expenses	(4,632)	(3,844)	20.5%
Research and development expenses	(132)	(123)	7.3%
Selling and administrative expenses	(374)	(340)	10.0%
Recurring operating income	**762**	**562**	**35.6%**
Other income and expenses	(45)	(9)	400.0%
Operating income	**717**	**553**	**29.7%**
Equity in income of affiliates	17	15	13.3%
Financial result	(37)	(25)	48.0%
Income taxes	(125)	(115)	8.7%
Net income of continuing operations	**572**	**428**	**33.6%**
Net income of discontinued operations	**(587)**	**(78)**	**652.6%**
Net income	**(15)**	**350**	**-**
Minority interests	4	3	33.3%
Net income – Group share	**(19)**	**347**	**-**
EBITDA	**1,034**	**809**	**27.8%**
Adjusted net income	**500**	**362**	**38.1%**
Adjusted net income of continuing operations	**574**	**431**	**33.2%**

(1) 2011 sales from continuing operations + sales from Total's specialty resins activities in 1st half 2011 (€440 million) + 2011 sales from Seppic (€53 million).

Sales

21% up over 2010, sales in 2011 stood at €5.9 billion. Volumes were stable compared to 2010. They rose in Performance Products, in particular thanks to the start-up in China of the Kynar® PVDF fluoropolymer plant, and the development of solutions for sustainable development (renewable energies, lithium-ion batteries, high performance bio-sourced polymers). They recorded a small drop in Industrial Chemicals due to a return to the traditional seasonality of certain activities following an atypical 2010, and exacerbated by significant destocking at year-end by most customers. The price effect was largely positive (+14%). This reflects ARKEMA's ability to pass rises in raw material and energy costs on to its sales prices across its businesses, as well as the repositioning of its portfolio in higher added value products, in particular in Performance Products. The +9% business scope effect mostly reflects the integration of Total's specialty resins on 1 July 2011, which contributed €408 million to sales in the 2nd half of the year. The currency conversion effect, primarily related to the weakness of the US dollar versus the euro in 2011, was negative at -2%.

Without vinyl activities, sales by region are more balanced. Hence Europe represents 41% of the Group's overall sales against 47% with the vinyl activities, North America 33% against 28% in 2011 with the vinyl activities, and Asia continues to grow, reaching 22% in 2011 thanks in particular to the many development investment projects carried out in China, compared to 20% with the Vinyl Products activities. In 2010, without vinyl activities, Europe represented 41% of the Group's sales, North America 35%, and Asia 20%.

Following the integration of the recently acquired specialty resins, the share of the Industrial Chemicals segment in the Group's sales rose to 67% (65% in 2010), with the Performance Products segment accounting for 33% (35% in 2010).

EBITDA and recurring operating income

EBITDA for the first time exceeded the symbolic €1 billion mark fully in line with the target set in August 2011. EBITDA reached €1,034 million against €809 million in 2010 (€1,010 million in 2011 with Vinyl Products against €790 million in 2010). At 17.5%, the EBITDA margin grew further compared to 2010 (16.6%), reflecting the quality of ARKEMA's specialties portfolio.

All Industrial Chemicals and Performance Products product lines contributed to this excellent performance, sustained by plant start-ups in Asia (Kynar® PVDF), the development of the specialty polymers, the acquisition of specialty resins from Total, and a better product mix in particular in Performance Products.

Recurring operating income amounted to €762 million against €562 million in 2010, this increase primarily reflecting the growth in EBITDA. Depreciation and amortization for the continuing activities stood at €272 million, up by €25 million compared to 2010 bearing in mind the start-up of new production plants and the acquisition of specialty resins.

Research and development expenditures reached €132 million, *i.e.* 2.2% of sales, against €123 million (2.5% of sales) in 2010.

Operating income

Operating income stood at €717 million against €553 million in 2010. This includes other income and expenses amounting to -€45 million in 2011 against -€9 million in 2010.

In 2011, other income and expenses mostly included charges related to the acquisition of Total's specialty resins, especially the inventory step-up at market price of sold inventories, as well as restructuring charges and a capital gain on the sale of non-consolidated shares. In 2010, they essentially included restructuring charges.

Equity in income of affiliates

Equity in the income of affiliates came to €17 million against €15 million in 2010. This reflects primarily the excellent performance of Qatar Vinyl Company, in which ARKEMA has a 13% shareholding, resulting from sound demand for PVC in Asia.

Financial result

In 2011 financial result totalled -€37 million, against -€25 million in 2010. This includes in particular the cost of the €500 million bond issue underwritten in October 2010 bearing annual interest of 4%.

Income taxes

Income taxes amounted to €125 million in 2011 (€115 million in 2010). This represents 16% of the recurring operating income. This low rate results notably from the use of tax loss carry-forwards and the recognition of deferred tax assets mostly in France amounting to €22 million as a result of better prospects. In the coming years, tax in the cash flow statement should represent around 25% of the recurring operating income.

Result of discontinued activities

The net result of discontinued activities stood at -€587 million.

It includes the -€82 million net result of the vinyl activities subject to a divestment project together with other income and expenses related to the divestment project amounting to -€505 million (for further details, see paragraph 9.2.6.3 "Vinyl activities subject to a divestment project").

Net income – Group share and adjusted net income from continuing activities

Taking into account the -€505 million exceptional net expenses due to the vinyl activities divestment project, net income (Group share) stood at -€19 million in 2011 against €347 million in 2010.

Excluding the after tax impact of non-recurring items, adjusted net income from continuing activities amounted to €574 million, 33% up over 2010 (€431 million), representing 9.7% of sales.

9.2.6 Analysis of results by segment

9.2.6.1 Industrial Chemicals segment

(In millions of euros)	2011	2010	Change
Sales	**3,928**	**3,171**	**23.9%**
Recurring operating income	**560**	**417**	**34.3%**
Other income and expenses	(80)	(21)	281.0%
Operating income	**480**	**396**	**21.2%**
EBITDA	**732**	**571**	**28.2%**

18.6% EBITDA MARGIN SUSTAINED BY ALL PRODUCT LINES

Industrial Chemicals sales continued to grow. They reached €3,928 million, 24% up on 2010, and include a net contribution of €408 million from the specialty resins acquired on 1 July 2011. ARKEMA increased significantly its prices across all product lines in order to offset rises in raw material costs. Volumes recorded a slight decline. Following an excellent start to the year, they reflected in 2nd half a return to the traditional seasonality of the refrigeration and coatings activities following an atypical 2010 and year-end destocking related to our customers' very cautious cash flow management.

EBITDA reached the historical level of €732 million. All of the segment's activities made a significant contribution to this result. Fluorogases benefited from globally favourable market conditions in the first half and from the excellent performance of HFC-125 in Asia; Acrylics unit margins were, on average for the year, high, benefiting from an overall tight supply-demand balance (mid-cycle assumed for 2012); thiochemicals were sustained by global animal feed as well as oil and gas markets, while PMMA benefited from an improved cost structure in Europe.

EBITDA margin grew further at 18.6% (against 18.0% in 2010).

Recurring operating income amounted to €560 million in 2011 against €417 million in 2010. It includes an increase of €18 million in depreciation and amortization compared to 2010, primarily related to the start-up of new production plants and the integration of specialty resins.

Operating income stood at €480 million in 2011 against €396 million in 2010. It includes other income and expenses which totalled -€80 million (-€21 million in 2010), mostly related to the acquisition of specialty resins business and in particular the inventory stet-up at market price of sold inventories and to some restructuring projects.

9.2.6.2 Performance Products segment

(In millions of euros)	2011	2010	Change
Sales	**1,952**	**1,680**	**16.2%**
Recurring operating income	**240**	**167**	**43.7%**
Other income and expenses	33	18	83.3%
Operating income	**273**	**185**	**47.6%**
EBITDA	**339**	**260**	**30.4%**

PROFITABLE GROWTH AND SUCCESSFUL REPOSITIONING

Performance Products sales amounted to €1,952 million in 2011, 16% up over 2010. This improvement largely reflects the progress made by Technical Polymers with the rapid ramp-up of the Kynar® PVDF plant opened in China in March 2011, and the growth of new applications in areas related to sustainable development. Volumes increased by 4% compared to 2010. The price effect was also highly positive, offsetting higher raw materials and reflecting also the repositioning of the portfolio in higher added value products.

EBITDA rose by 30% from €260 million in 2010 to €339 million in 2011, reflecting the ongoing rise in volumes, the positive impact of price increases and the repositioning of the portfolio in higher added value products, and the contribution of growth projects.

EBITDA margin stood at 17.4%, its highest historical level since the spin-off, against 15.5% in 2010.

Recurring operating income amounted to €240 million in 2011 against €167 million in 2010, this increase reflecting primarily the improvement in EBITDA.

Operating income amounted to €273 million in 2011 against €185 million in 2010. It includes other income and expenses amounting to €33 million (€18 million in 2010), primarily reflecting income from the sale of non-consolidated securities.

9.2.6.3 Vinyl activities subject to a divestment project

In November 2011, the Group announced a project to divest its Vinyl Products business segment to the Klesch group (for detailed information on the divestment project, see chapter 4.3.3 of this reference document). This project is subject, as of the date of this reference document, to the information/consultation process of the workers councils currently in progress.

In accounting terms, the project entailed the booking of a €505 million exceptional expense related primarily to the write-off of tangible and intangible assets to be transferred for €264 million, a €151 million provision relating in particular to the contractual commitments regarding working capital, and the negative impact on the Group's net debt related to the cash to be transferred (€88 million).

The sales of the vinyl activities concerned by the divestment project stood at €1,090 million in 2011 against €1,036 million in 2010. This increase reflects primarily the price increases in caustic soda and PVC that offset the drop in volumes due to weak demand in the European construction market and major destocking reported towards the end of the year.

EBITDA for the vinyl activities concerned by the divestment project stood at -€24 million in 2011 (-€19 million in 2010). 4th quarter results were impacted by the strike at the LyondellBasell refinery in Berre, France, and by strikes at ARKEMA's Vinyl Products sites in the wake of the announcement of the divestment project. Caustic soda and PVC prices improved, albeit without fully offsetting the rise in ethylene and energy costs.

Current operating income stood at -€66 million in 2011 against -€59 million in 2010. It includes €42 million depreciation and amortization in 2011 against €40 million in 2010.

Following deduction of other income and expenses (-€8 million), financial result (-€3 million), and taxes, the net result of the vinyl activities amounted to -€82 million in 2011 against -€78 million in 2010.

Consequently, the net result of discontinued operations stood at -€587 million in 2011.

9.2.7 Balance sheet analysis: comparison of 2011 with 2010

In accordance with standard IFRS 5, the 2011 balance sheet items of the vinyl activities concerned by a divestment project have been accounted for in the Group's consolidated financial statements as assets held for sale. Comments relate to changes between 2010 figures including the vinyl activities and 2011 figures excluding the vinyl activities.

(In millions of euros)	31/12/2011	31/12/2010	Change
Non-current assets*	2,693	2,379	13.2%
Working capital	960	785	22.3%
Capital employed	**3,653**	**3,164**	**15.5%**
Provisions	750	771	-2.7%
Net debt	603	94	x 6.4
Shareholders' equity	2,217	2,240	-1.0%

* *Excluding deferred tax.*

Between 2010 and 2011, non-current assets increased by €314 million. This was due primarily to:

- a €286 million increase in net fixed assets related primarily to:
  - the integration, amounting to €401 million, of the assets related to the specialty resins activities acquired from Total (€342 million including €141 million goodwill) and the specialty alkoxylates activities acquired from Seppic (€59 million including €32 million goodwill),
  - capital expenditures which amounted to €424 million in 2011, including €59 million for the vinyl activities and €54 million non-recurring expenditures mostly regarding productivity plans in Carling and the conversion of electrolysis from mercury to membrane at the Jarrie site. In 2010, capital expenditures represented €315 million. The increase in capital expenditures between 2010 and 2011 is due in particular to the many growth projects in Asia currently in progress and to the ambitious investment plan for Acrylics in the United States which represents US$110 million in total over 3 years,
  - net amortization and depreciation of €328 million, of which €42 million relate to the vinyl activities, and €14 million correspond to one-time impairment booked in Industrial Chemicals,
  - a €57 million positive currency translation effect, related to the strengthening of the US dollar versus the euro at year-end,

- the classification, following the announcement of the vinyl activities divestment project, of the relevant fixed assets as "assets held for sale" amounting to -€264 million. In accordance with standard IFRS 5, the assets were subsequently fully depreciated as part of the divestment project;
- a €28 million increase in other non-current assets, including a €4 million currency translation effect.

Working capital increased by €175 million. This increase resulted in particular from the integration of working capital for the activities acquired in 2011 (specialty resins and alkoxylates) representing, on the day of their integration, a total of €216 million and €192 million at year-end. The translation effect resulted in a €29 million increase in working capital. Finally, working capital for the vinyl activities was reclassified into "assets and liabilities held for sale" for a net amount of €139 million. Excluding these effects, working capital requirement increased only slightly despite a surge in sales and in the cost of raw materials. At constant scope of business, the working capital represented 13.8% of sales against 13.3% in 2010. On pro forma sales [(1)], the working capital stood at 15.0% in line with the objective set for the year despite the integration of downstream businesses having structurally higher ratios and the exit of more upstream vinyl activities where ratios are below Group average. This performance reflects the ongoing control of working capital through the strict operational discipline in place since ARKEMA's spinoff.

Between 2010 and 2011, ARKEMA's capital employed increased by €489 million to €3,653 million in 2011, against €3,164 million in 2010 with the vinyl activities and €2,789 million without the vinyl activities. In 2011, the breakdown of capital employed for continuing activities (excluding Corporate) was as follows: 69% for Industrial Chemicals (63% in 2010) and 31% for Performance Products (37% in 2010). The geographic breakdown of capital employed was as follows: the share of Asia stood at 12% in 2011 and 2010, the share of North America stood at 31% against 30% in 2010, and the share of Europe decreased to 57% from 58% in 2010.

At 31 December 2011, in accordance with standard IFRS 5, provisions relating to the vinyl activities subject to a divestment project have been classified as "liabilities held for sales" for an amount of €61 million (mainly pensions and environment). Following this restatement, gross provisions amounted to €750 million, a €21 million decrease compared to 31 December 2010 (€771 million). The amount of provisions which concerned the Vinyl Products segment and which are kept within ARKEMA as part of the divestment project, have been mainly reclassified in the Industrial Chemicals segment which has taken over the businesses kept within the Group (especially Jarrie and Saint-Auban in France).

In addition, a €151 million provision for risks was booked in the P&L in 2011 mainly to take into account the transfer of the working capital as part of the divestment project. This provision is also included in the "liabilities held for sale" detailed in note C.9 to the financial statements in chapter 20 of this reference document. This provision will be reversed at the time of the closing of the operation.

Furthermore, certain provisions totalling €64 million at 31 December 2011 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 mostly provisions relating to former industrial sites in the United States. Accordingly, the provisions net of these non-current assets at 31 December 2011 was €686 million, compared to €702 million in 2010.

The breakdown of net provisions by type was as follows: pension liabilities €261 million (€239 million in 2010), other employee benefit obligations €93 million (€113 million in 2010), environmental contingencies €127 million (€136 million in 2010), restructuring €72 million (€100 million in 2010), and other provisions €133 million (€114 million in 2010).

Net debt amounted to €603 million at 31 December 2011, against €94 million at end 2010. Gearing remained low at 27%, representing 0.6x the 2011 EBITDA. This debt includes the impact of the acquisitions and divestments totalling €568 million, corresponding mainly to the acquisition of Total's specialty resins and Seppic's alkoxylates and to the purchase of a stake in a fluorspar mine in Canada, the payment of a €1 dividend per share totalling €61 million and €88 million relating to the vinyl activities divestment project. However, it does not include the impact of the acquisitions of Hipro Polymers and Casda Biomaterials finalized on 1 February 2012 on the basis of an enterprise value of US$365 million.

(1) 2011 sales for continuing activities + sales from Total's specialty resins activities in 1st half 2011 (€440 million) + 2011 sales from Seppic (€53 million).

9.2.8 Cash flow analysis: comparison of 2011 with 2010

Cash flows include flows related to the vinyl activities concerned by a divestment project. They are presented in the following table as cash flow of discontinued operations.

(In millions of euros)	2011	2010
Operating cash flow from continuing operations	696	519
Operating cash flow from discontinued operations	(153)	(8)
Cash flow from operating activities	**543**	**511**
of which:		
Current income taxes	*(170)*	*(130)*
Cash items in financial result	*(30)*	*(12)*
Impact of the vinyl activities divestment project	*(88)*	-
Change in working capital	*(85)*	*(78)*
Cash flow from net investments related to continuing operations	(887)	(249)
Cash flow from net investments related to discontinued operations	(55)	(32)
Cash flow from investment activities	**(942)**	**(281)**
Net cash flow related to continuing operations	(191)	270
Net cash flow related to discontinued operations	(208)	(40)
Net cash flow	**(399)**	**230**
of which:		
Cash flow from portfolio management	*(568)*	*(46)*
Free cash flow* of continuing operations	377	320
Free cash flow* of discontinued operations	(208)	(44)
Free cash flow*	**169**	**276**
Cash flow from financing activities	**131**	**161**
Change in cash and cash equivalents	**(268)**	**391**

* *Cash flow from operating activities and investments, excluding impact from portfolio management.*

Cash flow from operating activities

In 2011, net resources generated by operations amounted to €543 million (€511 million in 2010). The significant improvement in EBITDA helped offset the increase in working capital linked to the increase in sales and raw material costs, the increase in current income taxes, and -€88 million relating to the project to divest vinyl activities. This cash flow includes non-recurring items of -€42 million relating primarily to expenses regarding restructuring plans.

Continuing activities generated €696 million operating cash flow against €519 million in 2010.

Cash flow from investment activities

Cash flow from net investment activities amounted to -€942 million. This included €424 million capital expenditures in operating tangible and intangible assets, including (i) €59 million capital expenditures in the vinyl activities subject to a divestment project, (ii) €311 million recurring capital expenditures, and (iii) €54 million non-recurring capital expenditures related to restructuring plans and to the €18 million investment in the joint venture set up with Canada Fluorspar Inc. Recurring capital expenditures relate to (i) growth projects with the construction of new plants in Asia, namely for Kynar® PVDF on the Changshu site (China), and specialty acrylic polymers, and to capacity extensions, in particular in acrylics in Carling (France) and in Clear Lake and Bayport (United States), and (ii) industrial maintenance operations.

ARKEMA continued its growth projects in line with its objective to reinforce its development in Asia and achieve sales in the region representing 25% of the Group's overall sales by 2015. Capex in Asia represented 15% of the Group's capex and 27% of development capex. The share of capex made in North America represented 29%, while the share of capex in Europe represented 56%.

These cash flows also included the -€535 million net amount of acquisitions and divestments of shares, mostly relating to the acquisition of Total's specialty resins on 1 July 2011 and Seppic's specialty alkoxylates on 31 December 2011, the acquisition of a stake in Canada Fluorspar Inc., and the sale of non-consolidated securities.

Free cash flow

As regards continuing activities, free cash flow rose to €377 million, €57 million up on 2010.

Net cash flow

After taking account of the impact on cash flow of the €568 million acquisitions and divestments in the year, net cash flow stood at -€399 million in 2011 against €230 million in 2010.

Cash flow from financing activities

Cash flow from financing activities amounted to €131 million in 2011 against €161 million in 2010. This includes a €177 million net increase in the short-term debt, a €15 million net increase in the long-term debt, and the payment of a dividend of €1 per share for a total amount of -€61 million.

9.3 FINANCIAL INFORMATION ON THE COMPANY'S FINANCIAL STATEMENTS, FINANCIAL CONDITION AND RESULTS

9.3.1 Company's 2011 annual financial statements

The Company's annual financial statements for 2011 are included in chapter 20 of this reference document.

9.3.2 Report of the statutory auditors on the Company's 2011 annual financial statements

The report from KPMG Audit and Ernst & Young Audit, statutory auditors, on the Company's annual financial statements for 2011 is included in chapter 20 of this reference document.

9.4 FEES PAID TO STATUTORY AUDITORS

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

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CASH AND SHAREHOLDERS' EQUITY

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10.1 DESCRIPTION OF GROUP CASH FLOW

For a detailed description of the Group's cash flows, please refer to section 9.2.8 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 diversified sources of finance:

- a €500 million bond issue with an October 2017 maturity date underwritten in October 2011;
- a revolving multi-currency credit facility set up on 31 March 2006 in the maximum amount of €300 million;
- a revolving multi-currency credit facility set up on 26 July 2011 in the maximum amount of €700 million;
- a securitisation program in the maximum amount of €240 million set up in the first half of 2010.

10.2.1 Bond issue

On 25 October 2010 Arkema S.A. finalised its first bond issue, for €500 million over seven years and with a 4% interest rate. This operation falls in line with the Group's long-term financing policy by allowing it to diversify its sources of funding and extend the maturity of its debt.

The bond issue documentation includes an interest rate adjustment clause in the event of a downgrading of the credit rating, as described in section 6.2.4.1 of this reference document.

Furthermore, in addition to usual bond default cases, in particular non-payment, early repayment consecutive to non-payment, collective proceedings, or cessation of activity of the issuer or a major subsidiary, the bond issue is accompanied by an early repayment option at bondholders' request in the event of a change of control of Arkema S.A. involving a downgrading of its credit rating. These default cases may be conditional to thresholds being exceeded or the expiry of grace periods. Further detail is given in the Prospectus of 22 October 2010 relating to the bond issue, filed with AMF *(Autorité des marchés financiers)* with number 10-380, and available on the Company's website (www.finance.arkema.com), "Regulated Information" heading.

10.2.2 Revolving multi-currency credit facility for €300 million

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***). ARKEMA reduced this Facility to €300 million on 26 July 2011.

The purpose of the Facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes until 31 March 2013. This line of credit was not used at 31 December 2011.

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; and

(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.

10.2.3 Revolving multi-currency credit facility for €700 million

On 26 July 2011, 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 €700 million (the ***Facility***).

The purpose of the Facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes until 26 July 2016. This line of credit was not used at 31 December 2011.

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.

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;

(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. This ratio may be increased to 3.5 over a twelve-month reference period if this increase is due to the acquisition of assets or securities, share capital increases, or investment(s) into joint ventures resulting from a joint venture agreement. Arkema S.A is authorized to make use of this flexibility twice over the lifetime of the Facility.

The Facility also provides for default events similar to those described in 10.2.2 above.

Lastly, Arkema S.A. guarantees on a joint and several basis to the banks the obligations of Arkema France under the terms of the Facility, as well as those of the other borrowers, where applicable. The Facility is not subject to any other personal guarantee or security.

10.2.4 Securitisation program

Arkema France put in place in June 2010 a non-unconsolidating securitisation program for its trade receivables in the maximum amount of €240 million. The program's documentation features early repayment clauses, including, under certain conditions, non-compliance with the usual financial performance ratios of the receivables portfolio (dilution, late or non-payment ratios), payment cross-acceleration, or a change of control of Arkema France or Arkema S.A.

At 31 December 2011, the amount financed as part of this securitisation program was €90 million.

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. For further detail on off-balance sheet commitments, please refer to note 29 to the consolidated financial statements in chapter 20 of this reference document.

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 facilities 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

In 2011, excluding the impact of the project to divest the vinyl activities announced end of 2011, net income, Group share, for the continuing activities amounted to €568 million. With a net debt of €603 million, the Group's gearing remained moderate at 27%.

The Group's prospects and the strength of its financial structure led the Board of Directors, meeting on 7 March 2012, on closing the 2011 financial statements, to propose to the Annual General Meeting on 23 May 2012 a resolution under which it will recommend that a dividend of €1.30 per share be paid in respect of 2011, a 30% increase over the dividend paid in respect of 2010.

In 2009 and 2010, the Company paid a dividend of €0.60 per share. In 2011, the Company increased the dividend paid in respect of 2010 to €1 per share.

For the future, ARKEMA confirms its dividend policy, intending to pay every year a stable to reasonably rising dividend.

11

RESEARCH AND DEVELOPMENT

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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 improve its products and manufacturing processes.

In 2011 R&D expenses accounted for around 2.2% of Group's sales, the drop in percentage from 2010 being due to an increase in sales rather than a reduction in the R&D effort. 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 1,200 researchers, mainly split between nine research centers located in France, the United States and Japan.

The R&D department, which reports to the Chairman and CEO, coordinates all the Group's research programs on a worldwide scale. It is responsible for ensuring that the strategic projects funded and controlled by the BUs are scientifically and technologically relevant, and that they are consistent with the Group's overall strategy. It is also responsible for developing "incubating" innovative products prior to their transfer to the BUs. R&D policy and the corresponding level of expenses are adapted in the long term to each of the Group's three segments: Industrial Chemicals, Performance Products, and Vinyl Products. Note that almost all activities in the Vinyl Products segment are subject to a divestment project (see section 4.3.3 of this reference document). The R&D department focuses on two main areas: ultra high performance polymers, and the contribution of solutions in the field of sustainable development. To carry through these projects, it relies in particular on a dedicated structure called "incubator". In 2010, this structure developed in particular electrostrictive polymers via its subsidiary Piezotech. In 2011 the incubator transferred nanostructured PMMA for automotive glazing to the Altuglas BU.

Additionally, ARKEMA has made sustainable development one of the key points of its research strategy by developing a wide range of innovative materials to assist its customers; these are for example materials in the field of energy (renewable energies like photovoltaics; energy storage like lithium-ion batteries; energy saving, etc.), nanostructured materials, and materials produced from renewable raw materials. This sustainable development strategy is also evident from the development of highly innovative processes.

In 2011, R&D expenses were split as follows:

- Industrial Chemicals segment: 38.5%;
- Performance Products segment: 38.8%;
- Vinyl Products segment: 12.0%; and
- "Corporate" R&D program: to prepare the innovations of tomorrow, drawn up every year by the R&D department and submitted to the Executive Committee for approval: 10.7%.

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

- in 2009:
  - 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, and
  - the Pebax® Rnew® 100 polymer (thermoplastic elastomer) and Rilsan® Clear Rnew polyamide (transparent thermoplastic) entirely derived from renewable resources;
- in 2010:
  - the industrialisation of a synthesis process for 125, a refrigerant fluid with a very low environmental impact,
  - the development and marketing of a new Rilsan® fiber-based grade that combines light weight, impact resistance and good injection-moulding properties,
  - the launch and commercial success of the new Orevac® OE 825 range for food-grade multilayer packaging structures,
  - a service innovation that is key to the protection of the environment: the new Rcycle® package that combines the sale of polymers with the collection of certain wastes, and
  - finally, the acquisition of the company Piezotech, which will enable the Group to develop ultra high added value fluorinated polymers;
- in 2011:
  - the development of the Altuglas® ShieldUp ultra high performance acrylic glass range to replace ordinary glass in automotive glazing, which will bring major weight savings in cars,
  - the development and industrialisation of a synthesis process for PEKK, a polymer with a very high melting point (> 330°C) also playing a part in reducing the weight of aircraft,
  - the launch of Paladin®, a DMDS (dimethyl disulfide) derivative (sulfur-based product naturally present in the lifecycle of some plants) used in soil preparation for vegetable crops, as a replacement for methyl bromide due to be gradually phased out under the terms of the Montreal Protocol,
  - a contribution to the development of a methionine manufacturing process based on fermentation from natural raw materials, with Korean company CJ CheilJedang.

Numerous collaborations have been entered with the European Commission (Framework Program for Research and Technological Development (FPRTD)), and with several French organizations such as *Agence Nationale de la Recherche* (ANR, National Research Agency), *Agence de l'Environnement et de la Maîtrise de l'Énergie* (ADEME, Environment and Energy Agency), and *Fond Unifié Interministériel* (Unified Interministerial Fund) enabling the Group's R&D efforts to enjoy joint public funding as well as active collaboration with many partners. The Group has been heavily involved in particular in various *Investissements d'Avenir* mechanisms, either through collaborative research projects or through working with collaborative structures IEED (INDEED, PIVERT) or IRT (M2P, AESE).

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 postdoctoral funding for students, but also through original and innovative structures. Thus, ARKEMA takes part in industrial chairs of Excellence, such as the chair of bio-plastics at Mines-Paritech or the chair of excellence in organic electronics in Bordeaux, and it has established close relations in major structural research programs, for example with ESPCI laboratories in Paris (France), IBP laboratories in Bordeaux (France), or ENSIC laboratories in Lorraine (France).

11.1.1 Industrial Chemicals segment

The objectives of the Industrial Chemicals segment's R&D are to maintain competitive processes 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 thiochemicals) in order to make them safer, more reliable and productive, and therefore more competitive. To this end, R&D studies the benefits of 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.

This is the case with coatings that valorize all acrylic monomers for the development of new paints and varnishes. Sartomer has for example launched the SARBIO® range of bio-sourced resins comprising acrylic and methacrylic resins with guaranteed renewable carbon content. The coatings resins business provides another example, with the High Gloss SNAP technology that uses nanostructuring to produce gloss paint with outstanding abrasion and washing resistance for architectural applications. 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 continues to expand.

Naturally, the major development of processes plays a part in the development of new products, as in the case of F125 (a new low-GWP refrigerant fluid), new applications for PMMA sheets in the LED flat screen technology, or ShieldUp nanostructured PMMA. Additionally, innovation also touches the development of new markets for existing products. The finest example of this is Paladin®, a formulation based on dimethyl disulfide (DMDS) for the treatment of soil for vegetable crops, which has been granted marketing authorisation by the US Environmental Protection Agency (EPA).

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.

11.1.2 Performance Products segment

The Performance Products segment's R&D focuses on the materials of tomorrow.

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

In 2010, the development of high performance polymers continued in several areas.

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

Next, the fluoropolymer range opened up in 2010 with the acquisition of Piezotech, a company operating in the piezo-electric and electrostrictive fluoropolymer market. These polymers help ARKEMA access the autonomous sensors and actuators markets for ultra high added value polymers.

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

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

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

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

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

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

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

11.1.3 Vinyl Products segment

Note that almost all Vinyl Products segment activities are the subject of a divestment project (see section 4.3.3 of this reference document).

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 PVC activity's R&D are to enhance the quality of existing products, and improve the productivity and reliability of the plants by optimizing the processes used.

Innovation is the focus of the Nakan® compounds business, which is working to consolidate its world leading position in slush moulding grades for car dashboards by customising its products: multi-colour ranges and logo printing.

A new range of Lucobay® profiles that are innovative by their insulation, coloration and self-reinforcing properties is now on the market.

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.

The PVC and PVC-C activities, through their Lacovyl® and Lucalor® ranges, have undertaken, in partnership and global cooperation with Dutch company AKER, a major program for the marketing of licenses based on the most innovative, effective and energy-efficient processes.

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 2011, the Group owned 5,744 patents. At the same date, it had 4,517 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). In 2011, the Group filed 148 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. Accordingly, on 30 November 2011, ARKEMA, a supplier of PVDF-based fluorinated film used in the manufacture of photovoltaic panels, filed a patent infringement complaint with the Seoul Central District Court against South Korean company SKC. ARKEMA also lodges opposition against third party patents that would not be justified.

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

The Group also has a policy of acquiring or granting patent 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.

12

INFORMATION ON MARKET TRENDS

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12.1 MAIN TRENDS

Since the beginning of 2012, volumes are progressing compared to end 2011. Growth in Asia seems well oriented notably in China and demand improvements are perceivable in the United States. Market conditions in Europe remain more challenging especially in construction. This recovery observed since the beginning of the quarter should continue during the 2nd quarter of 2012. Strikes following the announcement of a project of divestment have affected the vinyl business operations in the 1st quarter 2012 and will have a negative impact on the results of these businesses and on the net income of the Group.

The business environment in which the Group operates is characterized, at the date of this reference document, by (i) a context of high energy and raw material costs with strong volatility, (ii) significant volatility in exchange rates and in particular the strengthening of the US dollar versus the euro, (iii) an uncertain macro-economic environment related to sovereign debts, (iv) ongoing growth in China and in emerging countries, (v) additional new opportunities related to sustainable development, (vi) increasing regulations (for instance REACH regulations in Europe), and (vii) continuing productivity efforts and repositioning by the Group's main competitors.

As of the date of this reference document, there is no reason to expect the long-term 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;
- the Group's sensitivity to fluctuations in interest rates and in currencies other than the euro, particularly the US dollar and currencies influenced by the US dollar;
- the Group's capacity to introduce new products and to continue to develop its production processes;
- concentration of customers and of the market;
- risks and uncertainties relating to conducting business in many countries that may in the future be exposed or have recently been exposed to economic or political instability;
- changes in economic and technological trends; and
- potential complaints, costs, commitments or other obligations relating to the environment.

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OUTLOOK

End 2010, ARKEMA completed a first transformation phase mainly focused on restoring its profitability and building growth platforms. At the end of this first stage, ARKEMA set new targets for the 2011-2015 period with the ambition to achieve in 2015 sales around €7.5 billion, 14% EBITDA margin, an EBITDA above €1 billion while maintaining its gearing ratio below 40%. When announcing the project to divest its Vinyls business in November 2011 (1), the Group upgraded its EBITDA target to €1,050 million excluding Vinyls.

The achievements of such targets should be supported by the increase of sales in emerging countries especially in Asia, innovation especially in sustainable development, bolt-on acquisitions totalling around €1 billion additional sales and divestments of small non core businesses totalling around €300 million sales.

In 2011 and beginning 2012, the Group finalized several significant acquisitions (Total specialty resins, Seppic specialty alkoxylates and Chinese companies Hipro Polymers and Casda Biomaterials) totalling close to €1 billion additional sales, thus finalizing its acquisition program.

Meanwhile, ARKEMA generated €1,034 million EBITDA in 2011 in globally favorable market conditions. As a consequence, taking into account this performance and the portfolio repositioning achieved since spin-off, ARKEMA upgraded its long-term targets in March 2012, now aiming to achieve sales of €8 billion and an EBITDA of €1,250 million in 2016 while maintaining its gearing around 40%. This growth would come half from organic growth and half from bolt-on acquisitions. As regards the activities portfolio, Performance Products should represent 40% of Group sales by 2016, Industrial Chemicals representing 60% compared to respectively 33% and 67% of 2011 pro forma sales including the full year contribution of acquisitions completed in 2011 and beginning of 2012. From a geographical standpoint, Group sales should be even more balanced with Europe representing 35% of total sales (42% of 2011 pro forma sale), North America 35% (32% in 2011) and Asia and rest of world at 30% (26% in 2011). These targets have been defined in a normalized environment.

In a nearer term, 2012 should be another year of significant change for ARKEMA with the integration of Seppic alkoxylates and of Chinese companies Hipro Polymers and Casda Biomaterials, the start-up of new units or capacity expansions in Asia and the beginning of the construction of the Thiochemicals plant in Malaysia. The information/consultation process of workers councils on the project to divest Vinyls business to group Klesch will continue and the closing is expected mid 2012.

From a geographical standpoint, growth in Asia should remain well oriented notably in China. Demand improvements are perceivable in the United States and market conditions in Europe should remain challenging especially in construction. Raw materials are expected to remain volatile at high levels.

While remaining cautious in this macro environment, ARKEMA is confident in its strengths and will continue to combine strict management of the Company with targeted growth.

Since the beginning of the year, volumes are progressing compared to end 2011. The 1st quarter 2012 performance should show a real improvement compared to the 4th quarter 2011 while remaining below a very high 1st quarter 2011. This recovery is expected to continue during the 2nd quarter 2012.

The Group has also stressed that reaching its targets 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 its targets.

(1) *Project subject to the legal information/consultation process of relevant workers councils in the various entities and countries concerned, and to the approval by antitrust authorities.*

14

ADMINISTRATIVE BODIES AND GENERAL MANAGEMENT OF THE COMPANY

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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

As of the date of this reference document, the Company is run by a Board of Directors comprising eleven members, nine of whom being considered as independent.

The Board of Directors ensures that the principle of balanced representation of men and women among Board members is applied, in particular when renewing the directors' terms of office, as set out in section 15.3 of this reference document.

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 2011:** 16,297	***Current:*** **France** ➤ Chairman of the Board of Directors, Arkema France **International** None ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** ➤ Chairman and Chief Executive Officer, Arkema France ➤ Director, Cerexagri Inc.

PATRICE BRÉANT	
Main office held within the Company: Director representing shareholder employees **Date of first appointment:** 1 June 2010 **Date appointment expires:** AGM held to approve accounts for 2013 financial year	***Current:*** **France** ➤ Member of the FCPE Arkema Actionnariat France Supervisory Board ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** None

FRANÇOIS ÉNAUD	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 24 May 2011 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 31 December 2011:** 301	***Current:*** **France** ➤ Executive Manager, Groupe Steria SCA ➤ Director and Chairman and Chief Executive Officer, Steria S.A. ➤ Chairman of the Board of Directors, Agence Nouvelle des Solidarités Actives (ANSA) **International** ➤ Director, Steria UK Limited ➤ Director and Chairman of the Board of Directors, Steria Holding Limited ➤ 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 2011** None **Expired 2007 to 2010** ➤ 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 2011:** 800	***Current:*** **France** ➤ Director, L'Oréal **International** ➤ Director, Nucor (USA) ***Held in the past five years but now expired:*** **Expired in 2011** ➤ Partner, LBO France (until 30 September 2011) **Expired 2007 to 2010** ➤ Vice-Chairman of the Board of Directors, Lafarge ➤ Chief Executive Officer, Lafarge ➤ Vice-Chairman and Chief Executive Officer, Lafarge ➤ Director, Sonoco Products Company (USA) ➤ Director, Lafarge

ISABELLE KOCHER	
Main office held within the Company: Director **Date of first appointment:** 9 November 2009 **Date of last renewal:** 24 May 2011 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 31 December 2011:** 300	***Current:*** **France** ➤ Executive Vice President in charge of finance, GDF SUEZ SA (since 16 June 2011) ➤ Director, AXA (since April 2010) **International** None ***Held in the past five years but now expired:*** **Expired in 2011** ➤ Chief Executive Officer and Director, Lyonnaise des Eaux France ➤ 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 **Expired 2007 to 2010** ➤ Director, FLUXYS ➤ Deputy Managing Director, Lyonnaise des Eaux France

LAURENT MIGNON	
Main office held within the Company: Director **Date of first appointment:** 10 May 2006 **Date of last renewal:** 24 May 2011 **Date appointment expires:** AGM held to approve accounts for 2014 financial year **Number of shares held at 31 December 2011:** 300	***Current:*** **France** ➤ Chief Executive Officer Natixis S.A. (since May 2009) ➤ Director, Sequana ➤ Permanent Representative of Natixis, censor at the Supervisory Board of BPCE ➤ Director of NGAM (Natixis Global Asset Management) and Chairman of the Board of Directors ➤ Permanent Representative of Natixis at the Board of Directors of Coface **International** ➤ Director, Lazard Ltd ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** ➤ Director, Coface S.A. ➤ Managing Partner, Oddo et Cie ➤ Chairman and Chief Executive Officer, Oddo Asset Management ➤ Permanent Representative, Oddo et Cie, Managing Partner, Oddo Corporate Finance ➤ Director, Cogefi S.A. ➤ Director, Génération Vie ➤ Member of the Supervisory Board, Banque postale gestion privée ➤ Chairman of the Supervisory Board, Oddo Corporate Finance ➤ 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 2011:** 1,000	***Current:*** **France** ➤ Chairman of the Board of Directors, Institut National de la Propriété Industrielle (INPI) ➤ Chairman, Thierry Morin Consulting (TMC) **International** None ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** ➤ Chairman and Chief Executive Officer, Valeo ➤ Chairman, Valeo Finance ➤ Chairman, Valeo Service ➤ Chairman, Valeo Thermique Habitacle ➤ Manager, Valeo Management Services ➤ Chairman, Valeo SpA ➤ Chairman, Valeo Japan Co., Ltd ➤ Chairman, Valeo (UK) Limited ➤ Manager, Valeo Auto-Electric Beteiligungs GmbH ➤ Manager, Valeo Germany Holding GmbH ➤ Manager, Valeo Grundvermögen Verwaltung GmbH ➤ Manager, Valeo Holding Deutschland GmbH ➤ Director, Valeo Service España S.A. ➤ Director, Valeo Iluminacion S.A. ➤ Director, Valeo Termico S.A. ➤ Director, Valeo Systèmes de Liaison ➤ Chairman of Valeo Espana S.A. ➤ Chairman, Société de Participations Valeo ➤ Chairman, Valeo Bayen ➤ Chairman, Valeo International Holding BV ➤ Chairman, Valeo Holding Netherlands BV ➤ Director, Valeo Climatisation ➤ Director, Valeo Services Ltd ➤ Director, CEDEP

MARC PANDRAUD **Main office held within the Company:** Director **Date of first appointment:** 15 June 2009 **Date appointment expires:** AGM held to approve accounts for 2012 financial year **Number of shares held at 31 December 2011:** 500	***Current:*** **France** ➤ Chairman, Deutsche Bank in France **International** None ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** None
CLAIRE PEDINI **Main office held within the Company:** Director **Date of first appointment:** 1 June 2010 **Date appointment expires:** AGM held to approve accounts for 2013 financial year **Number of shares held at 31 December 2011:** 300	***Current:*** **France** None **International** None ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** ➤ Permanent representative of Alcatel on the Board of Directors of Thalès
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 2011:** 2,900	***Current:*** None ***Held in the past five years but now expired:*** **Expired in 2011** None **Expired 2007 to 2010** ➤ 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 2011:** 1,300	***Current:*** **France** ➤ Chairman, Baignas S.A.S. ➤ Chairman, DGI Finance S.A.S. ➤ Director, Groupama S.A. ➤ Director, BULL **International** None ***Held in the past five years but now expired:*** **Expired in 2011** ➤ Director and Chairman, Infovista **Expired 2007 to 2010** None

It will be proposed to the combined annual general meeting on 23 May 2012 to renew for a four-year period the terms of office of Messrs Thierry Le Hénaff and Jean-Pierre Seeuws (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.

Patrice Bréant (Director representing shareholder employees)

Patrice Bréant is an Expert Engineer in Experimental Methodology and in Statistical Process Control. He serves as a member of the Supervisory Board of the Arkema Actionnariat France Mutual Investment Fund (*Fonds Commun de Placement d'Entreprise* – FCPE), in which he held 108.007 shares at 31 December 2011.

Patrice Bréant, born in 1954, is a graduate of the Rouen *Institut National Supérieur de la Chimie Industrielle,* and holds a doctorate in Organic Chemical Engineering.

He began his career within the Group in 1983 at the CDF Chimie, later Orkem, Nord Research Center as Polyethylene Formulation and Modification Research Engineer.

In 1990 he joined the Cerdato R&D Center in Serquigny, and later the Technical Polymers Division within the Materials Study Laboratory.

He has been a member of the Serquigny works council and of the central works council since 1994. He was also rapporteur to the research commission of Arkema France's central works council from 1994 to 2007.

He has also been a member of ARKEMA's European works council, union representative for ARKEMA's Serquigny site, and CFE-CGC central trade union representative for Arkema France 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 was a partner of LBO France from September 2006 to September 2011.

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

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

Isabelle Kocher

Isabelle Kocher, born in 1966, graduated from *École Normale Supérieure* and is a *Corps des Mines* engineer. She is Executive Vice President in charge of Finance at GDF SUEZ SA.

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. She then became Deputy Managing Director of Lyonnaise des Eaux France until 2009, before holding the post of Managing Director in charge of the development of activities in Europe until 2011.

Laurent Mignon

Laurent Mignon, born in 1963, is a graduate of *École des Hautes Etudes Commerciales* (HEC) and the Stanford Executive Program. He has been Managing Director of Natixis since May 2009.

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

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

Thierry Morin

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

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

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 de Paris* (ESCP). He has been Chairman of Deutsche Bank's activities in France since June 2009.

He began his career as an auditor with Peat Marwick Mitchell (1982-1985). Subsequently he was Vice-President of Bear Stearns & Co Inc. (1985-1989), Chief Executive of SG Warburg France S.A. (1989-1995), Chief Executive of Deutsche Morgan Grenfell (1995-1998), then Chief Executive in charge of investment banking (1998). He later joined Merrill Lynch as Chief Executive of Merrill Lynch & Co Inc. (1998) and Chief Executive of Merill Lynch France (1998) before becoming

President of Merrill Lynch France (2005-2009). Marc Pandraud is a *Chevalier de l'ordre national du Mérite*.

Claire Pédini

Claire Pédini, born in 1965, has been Senior Vice-President of Compagnie Saint-Gobain in charge of Human Resources since 1 June 2010.

She is a graduate of HEC, and holds a Master's in Media Management from ESCP.

After holding a number of finance and management control posts at Total, Claire Pédini headed the group's financial communication from 1992 to 1994, after completing the group's IPO on the New York stock exchange in 1991.

She was Head of Total's Press department from 1995 to 1997. She then joined Alcatel in September 1998 as Director of Financial Communication and Investor Relations. In 2002 she became Director of Financial Communication and Corporate Relations. In February 2004 she was appointed Deputy Chief Financial Officer for the Group.

In 2006, she was appointed Director of Human Resources and a member of Alcatel-Lucent's Executive Committee, Director of Human Resources and Communications in June 2006, then Head of Human Resources and Transformation in 2009.

Jean-Pierre Seeuws

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 ESCP, and is also a chartered accountant and auditor.

He has been the president of Baignas S.A.S. since June 2005.

Philippe Vassor spent the core of his professional career (1975 to 2005) at Deloitte & 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.

At the date of this reference document, the following people sit on the Executive Committee: Thierry Le Hénaff, Bernard Boyer, Michel Delaborde, Alain Devic (until 1 July 2011), Luc Benoit-Cattin (from 1 July 2011, replacing Alain Devic), Pierre Chanoine, Thierry Lemonnier, Marc Schuller and Otto Takken.

Thierry Le Hénaff

See section 14.1 of this reference document.

Luc Benoit-Cattin

Luc Benoit-Cattin, born in 1963, is a graduate of *Ecole Polytechnique* and *Ecole des Mines de Paris*.

Between 1988 and 1995 he held a number of positions in administration at the French Ministry for Economy, Finance and Industry. From 1995 to 1997 he was Technical Adviser to the Minister for Industry.

In 1997 he joined the Pechiney Group as Plant Manager and later on Head of a business unit for rolling and aluminium.

In 2002 he joined CGG Veritas, where he was successively Director of Resources and Operating Performance, Director of Offshore, and, from 2009, Managing Director of Geophysical Services and a member of the Executive Committee.

He joined the ARKEMA Group in March 2011.

At of the date of this reference document, Luc Benoit-Cattin is Executive Vice President Industry, a post he has held since 1 July 2011, when he replaced Alain Devic. Accordingly, he oversees Industrial Safety, Environment and Sustainable Development, Technology, Logistics, Quality, and the Purchasing of Goods and Services.

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 UIC from March 2004 to June 2008.

Alain Devic stepped down as Group Executive Vice-President, Industry on 1 July 2011, when he was replaced by Luc Benoit-Cattin. From 1 July 2011 to the end of March 2012, he held the post of Adviser to the Chairman and Chief Executive Officer.

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* (ESSEC). 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

To the Company's knowledge, there are no potential conflicts of interest between the duties to the Company of the members of the Board of Directors 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.

To the Company's knowledge, no arrangements or agreements have been made with the main shareholders, customers or suppliers of the Company by which a member of the Board of Directors or Management would have been selected.

To the Company's knowledge, there are no restrictions accepted by the members of the Board of Directors or Management concerning the transfer of their holding in the Company's share capital.

14.5 INFORMATION REGARDING SERVICE CONTRACTS

None.

14.6 STOCK TRANSACTIONS BY THE EXECUTIVE OFFICERS 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 2011:

	Financial Instrument	Nature of operation	Date of operation	Place of operation	Unit price	Amount of operation
Thierry Le Hénaff	Shares	Exercised stock options	7 March 2011	Paris	€28.36	€141,800
	Shares	Sale	7 March 2011	Paris	€57.74	€288,700
	Shares	Exercised stock options	11 March 2011	Paris	€28.36	€28,360
	Shares	Exercised stock options	29 March 2011	Paris	€28.36	€127,620
	Shares	Sale	29 March 2011	Paris	€61.19	€275,355
	Shares	Exercised stock options	9 May 2011	Paris	€28.36	€85,080
	Shares	Sale	9 May 2011	Paris	€75.45	€226,350
	Shares	Sale	1 June 2011	Paris	€76.10	€400,514.30
	Shares	Exercised stock options	3 June 2011	Paris	€44.63	€446,300
	Shares	Sale	3 June 2011	Paris	€73.00	€730,000
Bernard Boyer	Shares	Exercised stock options	4 March 2011	Paris	€28.36	€194,266
	Shares	Sale	4 March 2011	Paris	€56,11	€384,353.50
	Shares	Exercised stock options	1 June 2011	Paris	€44,63	€312,410
	Shares	Sale	1 June 2011	Paris	€75,91	€531,389,60
	Shares	Exercised stock options	3 June 2011	Paris	€44,63	€312,410
	Shares	Sale	3 June 2011	Paris	€73.50	€514,500
Patrice Bréant	Arkema Actionnariat France FCPE Shares	Transfer of part of Arkema FCPE to another FCPE	13 May 2011	Paris	€74.76	€7,846.76
	Arkema Actionnariat France FCPE Shares	Transfer of part of Arkema FCPE to another FCPE	11 August 2011	Paris	€55.60	€22,885.83
Pierre Chanoine	Arkema Actionnariat France FCPE Shares	Sale	17 March 2011	Paris	€53.79	€111,250.66
	Shares	Exercised stock options	21 March 2011	Paris	€28.36	€103,684.16
Alain Devic	Arkema Actionnariat	Sale	5 January 2011	Paris	€53,65	€106,530.31
	Shares	Exercised stock options	7 January 2011	Paris	€28,36	€99,260
	Shares	Exercised stock options	8 April 2011	Paris	€28.36	€85,080
	Shares	Sale	8 April 2011	Paris	€66,60	€199,800
	Shares	Exercised stock options	6 May 2011	Paris	€28,36	€85,080
	Shares	Sale	6 May 2011	Paris	€73,10	219,300
Michel Delaborde	Arkema Actionnariat	Sale	5 January 2011	Paris	€53.65	€165,278.39
	Shares	Exercised stock options	7 January 2011	Paris	€28.36	€141,800
	Shares	Exercised stock options	8 March 2011	Paris	€28.36	€141,800
	Shares	Sale	8 March 2011	Paris	€57.70	€288,500
	Shares	Exercised stock options	31 March 2011	Paris	€28.36	€141,800
	Shares	Sale	1 April 2011	Paris	€62.90	€313,179.10
	Shares	Exercised stock options	3 June 2011	Paris	€28.36	€85,080
	Shares	Exercised stock options	3 June 2011	Paris	€44.63	€267,780
	Shares	Sale	3 June 2011	Paris	€72.97	€656,781.30
	Shares	Exercised stock options	8 June 2011	Paris	€28.36	€42,540
	Shares	Sale	20 June 2011	Paris	€67.18	€100,770
Thierry Lemonnier	Shares	Exercised stock options	24 March 2011	Paris	€28.36	€141,800
	Shares	Sale	24 March 2011	Paris	€59.66	€298,300
	Shares	Exercised stock options	9 May 2011	Paris	€28.36	€170,160
	Shares	Sale	9 May 2011	Paris	€75.45	€452,700
Marc Schuller	Shares	Exercised stock options	7 March 2011	Paris	€28.36	€283,600
	Shares	Sale	7 March 2011	Paris	€57.50	€575,000
	Shares	Exercised stock options	28 March 2011	Paris	€28.36	€99,260
	Shares	Sale	28 March 2011	Paris	€60.85	€212,975
	Shares	Exercised stock options	9 May 2011	Paris	€28.36	€127,620
	Shares	Sale	9 May 2011	Paris	€73.96	€332,820
	Shares	Exercised stock options	1 June 2011	Paris	€44.63	€446,300
	Shares	Sale	1 June 2011	Paris	€74.78	€747,838
Otto Takken	Shares	Exercised stock options	21 March 2011	Paris	€28.36	€113,440
	Shares	Sale	21 March 2011	Paris	€57.36	€229,440
	Shares	Exercised stock options	27 June 2011	Paris	€44.63	€24,546.50
	Shares	Exercised stock options	22 June 2011	Paris	€44.63	€446,300
	Shares	Sale	22 June 2011	Paris	€69.05	€690,507

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FUNCTIONING OF ADMINISTRATIVE AND MANAGEMENT BODIES

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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), prepared by the Chairman of the Board of Directors on 7 March 2012.

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 5 March 2012 and approved by the Board of Directors on 7 March 2012.

15.1 FUNCTIONING AND POWERS OF THE BOARD OF DIRECTORS (SUMMARY EXTRACTS FROM THE ARTICLES OF ASSOCIATION OF THE COMPANY)

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 10.1 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 70. 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.

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.

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 of the Board of Directors (Article 11 of the Articles of Association)

The Board appoints a chairman, who must be an individual person, from among its members. The term of office of the chairman automatically ends upon the chairman's seventieth 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 of the Board of Directors (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 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 AFEP-MEDEF listed companies available on the MEDEF website www.medef.com ("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 has 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. Additionally, the presence of mostly independent directors on the Board of Directors, and of exclusively independent directors on the Strategy Committee, together with the provisions of its internal regulations, help establish this management method within the requirements of corporate governance best practice.

The Board of Directors consists of eleven directors, including nine independent directors in the sense of the criteria set by the internal regulations for the Board of Directors and by the AFEP-MEDEF Code.

In accordance with articles L. 225-17 paragraph 2 and L. 225-37 paragraph 6 of the French Commercial Code, the Board of Directors ensures that the principle of balanced representation of men and women among Board members is applied, in particular when renewing the directors' terms of office. At the date of filing this reference document, the composition of the Board of Directors complies with law n° 2011-103 of 27 January 2011 concerning balanced representation of men and women on boards of directors and supervisory boards as well as gender equality insofar as it comprises two female board members from a total of eleven (or 18% of the members).

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 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, (ii) for the Nominating, Compensation and Corporate Governance Committee the composition of the Board of Directors, the compensation policy, the employee share ownership schemes, and corporate governance principles, and (iii) for the Strategy Committee the examination of the Group's main strategic guidelines. 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.

Finally, a self-assessment report on performances and attainment of objectives is compiled by an external consultancy every three years.

15.3.1 Activity of the Board of Directors

The Board of Directors met six times in 2011. The average attendance rate for all directors at these meetings was 88%.

The agenda for these meetings included:

- approval of the 2010 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 expert committees;
- annual assessment of the Board of Directors;
- assessment of the independence of the directors;
- review of the reports of the expert committees;
- setting of the fixed and variable parts of the compensation for the Chairman and Chief Executive Officer for 2011;
- 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 program for 2012;
- environmental review of sites;
- review of the annual budget; and
- examination of various strategic, investment or divestment projects.

Since the beginning of 2012, the Board of Directors met twice, with an attendance rate of 86%.

These meetings discussed a review of the accounts for the year to 31 December 2011, the notice of the annual general meeting, the review of the 2012 budget, the assessment of the independence of directors, the annual reports of the expert committees, a review of the terms of office for the Chairman and Chief Executive Officer, and the allocation of attendance fees for 2011.

In accordance with its internal regulations, the Board of Directors carried out its annual assessment for 2011, which was the subject of the Board of Directors' discussions at its meetings on 24 January 2012 and 7 March 2012, and showed that the directors were satisfied overall with the functioning of the Board and the quality of the information provided.

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

Following this analysis the Board of Directors on 24 January 2012 accepted the Nominating, Compensation and Corporate Governance Committee's recommendation that all directors be considered as independent, except for Mr Thierry Le Hénaff, Chairman and Chief Executive Officer, and Mr Patrice Bréant, an employee of a Group company.

The offices held by the directors in other companies are listed in the Board of Directors' management report in accordance with article L. 225-102-1 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, Compensation and Corporate Governance 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 and 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 specialized committees, an Audit and Accounts Committee, a Nominating, Compensation and Corporate Governance Committee, and, since 2010, a Strategy Committee, whose composition, purpose, organization and activity 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), Claire Pédini, Laurent Mignon and Jean-Pierre Seeuws. Thierry Lemonnier, Chief Financial Officer of the Group, is the committee's secretary. All members of the Audit and Accounts Committee were independent at the date of this reference document.

In accordance with article L. 823-19 of the French Commercial Code, it should be noted that Philippe Vassor, Chairman of the Audit and Accounts Committee, has particular expertise in financial and accounting matters, as he has spent most of his career (from 1975 to 2005) with the Deloitte consultancy.

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.

The Chairman and Chief Executive Officer does not take part in the meetings of the Audit and Accounts Committee.

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

The Board of Directors 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; and
- it prepares and submits reports as provided by the internal regulations of the Board of Directors, and presents to the Board in draft form that portion of the annual report and, more generally, any documents required by the applicable regulations, falling within its remit.

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 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.

ACTIVITY OF THE AUDIT AND ACCOUNTS COMMITTEE

The Audit and Accounts Committee met five times in 2011 and reported on its work to the Board of Directors.

The average attendance rate for committee members at these meetings was 90%.

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.

Since the beginning of 2012, the Audit and Accounts Committee met once. All committee members were present at the meeting, which focused in particular on the review of the 2011 financial statements, and the annual assessment of the committee's work.

15.3.3.2 The Nominating, Compensation and Corporate Governance Committee

The Board of Directors meeting on 21 January 2011 decided to broaden the remit of the committee to include corporate governance, and so alter its name. This 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.

COMPOSITION (ARTICLE 2 OF THE INTERNAL REGULATIONS)

The Nominating, Compensation and Corporate Governance 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, and
  - 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, and
  - it prepares and submits reports as provided for by the internal regulations, and presents to the Board of Directors that part of the annual report in draft form, and, more generally, any documents required by the applicable regulations and falling within its remit, in particular information on the compensation of corporate officers, stock options and free shares;
- corporate governance:
  - analysis and overseeing of corporate governance principles,
  - recommendations on corporate governance best practice,
  - preparation of annual appraisal of the Board's work,
  - examination in the event of a conflict of interest, and
  - discussion of corporate governance and ethics issue referred by the Board of Directors or its Chairman for examination.

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.

ACTIVITY OF THE NOMINATING, COMPENSATION AND CORPORATE GOVERNANCE COMMITTEE

The Nominating, Compensation and Corporate Governance Committee met four times in 2011 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, Compensation and Corporate Governance Committee mainly focused on the compensation of Company officers and the Executive Committee, the annual appraisal of the Board of Directors, the examination of profiles for the post of director, and the implementation of stock option and performance share allocation plans.

Since the beginning of 2012, the Nominating, Compensation and Corporate Governance Committee met twice. All members were 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 2011, the assessment of the Board of Directors in 2011, and a review of succession planning concerning members of the Executive Committee.

15.3.3.3 The Strategy Committee

The Strategy Committee comprises all independent directors, including Jean-Pierre Seeuws as Chairman. Bernard Boyer, the Group's Executive Vice-President Strategy, is secretary to the committee.

COMPOSITION (ARTICLE 2 OF THE INTERNAL REGULATIONS)

The Strategy Committee comprises at least three directors, all independent. The members of the Strategy Committee and its chairman shall be appointed by the Company's Board of Directors.

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

DUTIES (ARTICLE 1 OF THE INTERNAL REGULATIONS)

The roles of the Strategy Committee include the following:

- examine the Group's main strategic guidelines, including:
  - the main strategic options or projects proposed by the Management,
  - opportunities for external growth or divestment, and
  - strategic financial operations and stock transactions;
- prepare and present to the Board of Directors an annual report on the operation and activities of the Strategy Committee.

ORGANIZATION OF WORK (ARTICLE 3 OF THE INTERNAL REGULATIONS)

The committee meets as it sees fit, at least once a year to review and analyse the strategy.

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 attending at the committee meeting. The Committee chairman casts the deciding vote if an even number of members is attending at the meeting, unless only two members are attending.

ACTIVITY OF THE STRATEGY COMMITTEE

The Strategy Committee met once in 2011 and reported on its work to the Board of Directors.

The attendance rate for committee members at these meetings was 88.9%.

The work of the Strategy Committee during the year focused primarily on the analysis of the Group's strategy as well as the examination of operational projects.

Since the beginning of 2012, the Strategy Committee met once on 5 March 2012.

15.4 PRINCIPLES AND RULES FOR DETERMINING COMPENSATION AND ALL OTHER BENEFITS PAID TO CORPORATE OFFICERS OF THE COMPANY

The principles and rules for determining compensation and all other benefits paid to corporate officers of the Company are decided by the Board of Directors on the basis of recommendations from the Nominating, Compensation and Corporate Governance 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 21 January 2011 for a period of twelve months, and was renewed under the same terms at the Board of Directors meeting on 24 January 2012.

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; and
- 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; and
- 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 individual 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 AND RISK MANAGEMENT

15.7.1 General organization

15.7.1.1 Aims and objectives

The aims and objectives of the Group's internal control and risk management procedures were drawn up in accordance with 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; and
- the reliability of financial information.

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

However, no internal control structure can provide an absolute guarantee that these goals are met.

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

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

15.7.1.2 Scope

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

- three business segments (Vinyl Products business segment, Industrial Chemicals business segment, Performance Products business segment) made up of BUs which comprise a group of business lines or products that are coherent or complementary from a strategic, business or manufacturing perspective; note that the activities of the Vinyl Products segment are the subject of a divestment project (see section 4.3.3 of this reference document);

- 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; and
- 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 and risk management procedures.

15.7.1.3 Persons involved in internal control and risk management procedures

BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors, the three committees in place, and the expertise of their members help contribute to the creation of an internal control and risk management 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 management 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; as well as
- 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, the Executive Committee:

- defines the internal control framework and the rules for delegation of responsibility;
- sets targets for each BU, functional department and subsidiary, and provides the resources for these targets to be met;
- supervises the implementation of the control procedures that help achieve the targets it has set;
- considers the risks that are specific to each project submitted to Comex; and
- carries out an annual (and whenever deemed necessary) review of the major risks to which the Group is exposed on the basis of the work of the Risk Review Committee and its presentation of the mapping of risks. Comex calls on the Internal Audit and Internal Control department to help with its operation, as well as the appreciation of Comex members.

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, analysis and control procedures, and to monitor on a regular basis the evolution of risk factors, a Risk Review Committee was set up in October 2007.

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):

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

Following this review, the committee can decide on the updating of corrective action, or request additional information.

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

On completion of this process, the Executive Committee can decide on updating the main risks described in chapter 6 of this reference document.

INTERNAL AUDIT AND INTERNAL CONTROL DEPARTMENT

The Internal Audit and Internal Control department comprises two sub-departments: internal audit and internal control.

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 Internal Control regularly monitors the effective implementation of these recommendations.

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

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

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

During 2011, the Internal Audit department carried out 21 audits (25 in 2010), namely 9 audits of industrial sites of our subsidiaries Arkema France, Arkema Inc., Arkema S.r.l., Alphacan SA, Ceca SA, and Altuglas International SAS, 7 audits of subsidiaries in Europe and Asia, and 5 audits of procedures in Europe and the United States.

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

Internal Control conducts analysis and 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; and
- the definition of corrective measures in the event of shortcomings, and the control of their implementation.

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

The ongoing rollout of this process, launched in 2006, has enabled to cover a scope of companies representing virtually all production subsidiaries in 2011.

SEGMENTS, BUS, FUNCTIONAL DEPARTMENTS AND SUBSIDIARIES

The Group's businesses are organized into business segments made up of BUs, 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 the Executive Committee.

Within their respective area of activity, the segments employ the resources allocated to them by the Executive Committee to meet the targets set. They are responsible for their own performance and for implementing suitable control procedures and processes, in accordance with the principles and procedures defined in particular within the Group's internal control framework, Code of Conduct, charters and guidelines (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 has put in place a risk prevention policy in terms of industrial and environmental safety. The risk prevention policy regarding industrial and environmental safety is described in section 8.2 of this reference document;
- 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 Group has deployed two programs 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 and Risk Management framework

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

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

The Group has defined its 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:

- the control environment;
- risk management;
- control activities;
- information and communication; and
- continuous evaluation of internal control systems.

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".

A Compliance Program (the rules of which have been made known to all Group employees concerned, and agreed by them) has been put in place 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; and
- 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.

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 segments and BUs. All functional departments and subsidiaries, each having a duty to minimize risks in their own area, provide assistance in identifying and reducing the risks inherent in their respective areas.

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

- Every month each BU presents its results and indicators to its business segment Executive Vice President. The Executive Committee reviews all of the Group's results every month.
- The Accounts and Controlling department (DCCG) organizes a quarterly review of risks and litigation that may have a bearing on the Group's financial statements. The BUs, functional departments and subsidiaries report on their entity's risks. These risks are analyzed and dealt with at quarterly meetings in the presence of the Chief Financial Officer, the Accounts and Controlling department, the Legal department, and the Internal Audit and Internal Control department.
- The Internal Audit and Internal Control departments carry out an annual survey of risks with the Group's main entities: BUs, functional departments, and subsidiaries. Risks are identified and analyzed. The most significant risks are positioned on a risk mapping. This risk mapping is presented to the Risk Review Committee which assesses the relevance of updating it and puts forward suitable action plans where necessary. The conclusions of the Risk Review Committee are reported to the Executive Committee prior to the definition of the audit plan. This plan is drawn up on the basis of the risk mapping and on the need to cover the Group's scope of activity on a regular basis. The significant risks known to the Group are overseen by a member of the Executive Committee. They are also examined by the Audit and Accounts Committee and are set out in chapter 6 of this reference document.

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 operating method defined by the Executive Committee. By way of illustration, delegation of commitment authority and management of investments are the subject of specific notes.

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

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

INFORMATION AND COMMUNICATION

IT systems are a key component of the Group's 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 are available on the Group's intranet; and
- each support function develops professional best practice and disseminates details thereof throughout the Group *via* their intranet.

CONTINUOUS ASSESSMENT OF INTERNAL CONTROL SYSTEMS

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

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

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 two departments, Human Resources Development and Internal Communication (DDRHCI), and Labor Relations and Compensation Systems (DRSR). 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, through the implementation of a risk prevention policy regarding industrial and environmental safety.

The Group has formalized its fundamental requirements in a reference manual that is used worldwide, the Hygiene, Safety and Environment (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 International Safety Rating System (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 RCMS in the United States).

Over and above the audits conducted by Internal Audit, 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 section 8.2 of this reference document.

Industrial and environmental risks are described in section 6.2.2 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.

Market risks are described in section 6.2.4 of this reference document.

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.

Legal risks are described in section 6.2.5 of this reference document.

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.

Risks relating to insurance contracts are described in section 6.2.6 of this reference document.

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; and
- 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 Controlling 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, and
  - investor relations, whose remit is to establish, develop and maintain relations with investors, shareholders and financial analysts, and release financial information once this has been approved by the Board of Directors;
- functions delegated to:
  - the BUs, each having its own management control, allowing for monthly monitoring and analysis of BU performance, and
  - the subsidiaries, each being responsible for its own monthly accounts and for its half-year and full-year financial information.

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 Controlling 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, and
  - end-of-year forecast;
- actual performance:
  - monthly reporting,
  - quarterly consolidated accounts.

MEDIUM-TERM PLAN

The Strategy department draws up a medium-term plan (over five 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 Controlling department. The BUs within the segments and the functional departments submit their 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 Controlling 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; and
- capital employed is analyzed at the annual closure of accounts.

Every month, the business "tutors" (overseeing the segments) together with the Accounts and Controlling 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 S.A. 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 Controlling 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 Controlling department receives from each BU, functional department and subsidiary a report regarding risks.

Additionally, each entity is responsible for following up its off-balance-sheet commitments, and for collection and 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 Controlling department which issues technical notes on points of specific relevance to ARKEMA.

FINANCIAL STATEMENTS OF THE PARENT COMPANY

The preparation of Arkema S.A.'s financial statements is part of the Accounts and Controlling department's general procedure for the preparation of annual financial information. Furthermore, the Company submits forecast documents to 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. Upgrading the Supply Chain will represent the next major step in the integration within SAP. 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 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 ALL KIND AWARDED BY THE COMPANY AND ITS SUBSIDIARIES 108

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 111

16.1 COMPENSATION (INCLUDING CONDITIONAL OR DEFERRED COMPENSATION) AND BENEFITS IN ALL KIND AWARDED BY THE COMPANY AND ITS SUBSIDIARIES

General policy

In accordance with the provisions of the internal regulations of the Board of Directors, the Nominating, Compensation and Corporate Governance 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, Compensation and Corporate Governance Committee.

It consists of:

- a fixed annual compensation;
- a variable compensation of up to 150% of the annual fixed compensation based in 2011 on achieving a number of specific quantitative and qualitative targets. The quantitative targets relate to the financial performance of the Company (growth in EBITDA, recurring cash flow, and margin on variable costs of new developments), 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; and
- 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% per year 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 fulfilled, Thierry Le Hénaff shall receive 50% of the sums provided for in the event of early termination of contract.

If fewer than 2 criteria have been fulfilled, Thierry Le Hénaff shall receive 0% of the sums provided for in the event of early termination of contract;

- 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. Length of service in the Company, for the purposes of a retirement pension, has been set at 20 years. The Company's pension liabilities relating to its Chairman and Chief Executive Officer corresponded, at 31 December 2011, to an annual retirement pension calculated in particular on the basis of the average compensation of the last three years, equal to 27% 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 7th March 2012, (i) the gross annual fixed compensation paid to Thierry Le Hénaff as Chairman and Chief Executive Officer for 2012 shall remain unchanged at €610,000 until renewal of his term of office as Chairman and Chief Executive Officer, rising to €750,000 from renewal of his term of office, and (ii) his variable compensation in respect of 2012 shall remain determined on the basis of performance criteria related to the achievement of quantitative targets (growth in EBITDA, recurring cash flow, and margin on variable costs related to new developments), as well as qualitative targets essentially related to the implementation of the Group's strategy. In any case, this shall be capped at 150% of his annual fixed compensation.

Moreover, from renewal of his term of office, a new agreement on the compensation due to Thierry Le Hénaff in the event of early termination of his contract (termination or non-renewal of term of office) or related to a change of control of the Company, will be concluded, based on the same performance conditions detailed above, except for the 5th criterion, which will be replaced as follows: « Return on Capital Employed »: if the average of net operating income over capital employed (recurring operating income – actual IT on current business (1) / capital employed – provisions) for the last 3 years prior to the date of early termination of contract, exceeds the cost of capital (8.5%), the criterion shall be deemed fulfilled (capital employed and provisions are those for year-end, and recurring operating income for acquisitions made during the year shall be assessed on a full year basis and corrected for divestments).

COMPENSATION, STOCK OPTIONS AND SHARES GRANTED TO THE CHAIRMAN & CEO

	2011 (Gross amounts in euros)		2010 (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*	915,000	902,800	902,800	660,813
Exceptional compensation	Nil	Nil	Nil	Nil
Attendance fees	Nil	Nil	Nil	Nil
TOTAL	**1,525,000**	**1,512,800**	**1,512,800**	**1,270,813**
Benefits in kind – Car	6,720	6,720	6,720	6,720
Director unemployment insurance	16,524	16,524	17,193	17,193
Valuation as per method used for consolidated accounts for stock options allocation (detailed in note 28.1 to the consolidated financial statements at 31 December 2011)		744,705		467,600
Valuation as per method used for consolidated accounts for performance share allocation (detailed in note 28.2 to the consolidated financial statements at 31 December 2011)		921,926		541,816

* *Variable compensation is paid in the year following the period for which it has been calculated. The criteria defined above were applied to the exclusion of all other criteria entailing the fulfilment of objectives.*

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 28 of the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document). Furthermore, Thierry Le Hénaff did not put in place any hedging instruments.

Furthermore, in the event of early termination of contract (termination or non-renewal of his term of office), or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff will keep his rights to stock options, as well as free share or performance share allocation for plans agreed by the Board of Directors before he leaves.

(1) On constant scope of business (in particular excluding the impact of M&A and restructuring operations)

Directors' compensation

The annual general meeting of 1 June 2010 set the maximum annual amount of attendance fees allocated to the Board of Directors at €470,000.

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:
  - of €3,000 per director present at a Board meeting, and
  - €2,000 per member present at a meeting of one of the expert committees, except for the Chairman's variable part which is €3,500.

Total attendance fees allocated to the Directors amounted to €367,000 for 2011 (€331,000 for 2010), split as follows:

(In euros)	Amounts paid in 2012 for 2011	Amounts paid in 2011 for 2010
Mr Thierry Le Hénaff, Chairman & CEO Attendance fees	Nil	Nil
Mr Patrice Bréant, Director representing shareholder employees since 1 June 2010 Attendance fees	Nil*	Nil
Mr François Enaud, Director Attendance fees	43,000	38,000
Mr Bernard Kasriel, Director Attendance fees	43,000	40,000
Mrs Isabelle Kocher, Director Attendance fees	27,000	26,000
Mr Laurent Mignon, Director Attendance fees	35,000	33,000
Mr Thierry Morin, Director Attendance fees	49,000	44,500
Mr Marc Pandraud, Director Attendance fees	26,000**	31,000**
Mrs Claire Pédini, Director since 1 June 2010 Attendance fees	45,000	20,000
Mr Jean-Pierre Seeuws, Director Attendance fees	46,500	47,000
Mr Philippe Vassor, Director Attendance fees	52,500	51,500

* *Mr Patrice Bréant is on the payroll of Arkema France as an Expert Engineer in Experimental Methodology and Statistical Process Control, and, as such, does not receive any attendance fees. His total compensation for 2011 was €83,335.*

** *At Marc Pandraud's request, his attendance fees have been paid by the Company to a charity.*

Except for Thierry Le Hénaff, the only executive director, and Patrice Bréant, director representing shareholder employees for whom information is given above, members of the Board of Directors received no other compensation and no other benefits in the year. The directors were not awarded any stock options or free shares.

No compensation, other than that mentioned above, was paid to directors of the Company by Group companies other than Arkema S.A. in 2011.

Compensation of members of the Executive Committee

In 2011, the make-up of the Executive Committee was modified as a result of the departure of Alain Devic on 30 June 2011 and his replacement by Luc Benoit-Cattin on 1 July 2011. The Board of Directors of the Company, on the recommendation of the Nominating, Compensation and Corporate Governance Committee, approved the total gross fixed compensation to be awarded for 2011 to members of the Executive Committee other than the Chairman and Chief Executive Officer at €1,800,450.

Furthermore, the total variable compensation paid in 2011 to the members of the Executive Committee as described above by Arkema S.A. or one of its consolidated subsidiaries was €1,155,912.

The Board of Directors also approved the criteria to be used in determining the variable element of their compensation for 2011, based on specific qualitative and quantitative targets relating mainly to growth in EBITDA, recurring cash flow and margin on variable costs of new developments. In application of these criteria, the

Board of Directors meeting on 7 March 2012 approved the variable part awarded for the year 2011 to Executive Committee members described above, amounting to €1,270,812. It also approved the criteria to be used in determining the variable element of their compensation for 2012, which will remain based on specific qualitative and quantitative targets related primarily to growth in EBITDA, recurring cash flow, and the margin on variable costs of new developments.

The Board also approved the total gross fixed compensation paid for 2012 to Executive Committee members described above, amounting to €1,957,000.

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 chapter 20 and to section 16.1 of this reference document.

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EMPLOYEES

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17.1 HUMAN RESOURCES POLICY

The consolidation base for ARKEMA's labor data corresponds to the Group's management scope comprising all subsidiaries in which one or more Group companies has at least a 50% shareholding. The quantitative data is collected and consolidated, and reports are generated using a management tool called AREA developed in house by ARKEMA's IT department. Qualitative data is compiled from the managing directors and human resources managers network in the companies and subsidiaries within the consolidation base. Methodologies relating to certain indicators can present some limitations due to a lack of internationally recognized definitions, one particular example being the status of "*cadre*" (manager, executive).

Every company records personnel employed through an employment contract of any nature (permanent contract, fixed-term contract, training contract, full time or part time), at whatever place of employment: personnel at work, personnel whose contract has been suspended (e.g. extended leave, parental leave, etc.).

Trainees and temporary employees are not included in the headcount.

Personnel are accounted for irrespective of their working hours based on the "1/1 rule" (each employee, even part-time, counts for one person).

The figures given in the following paragraphs concern ARKEMA's personnel including personnel working for the Vinyl Products segment, for which a spinoff and divestment project was announced on 23 November 2011 (see section 4.3.3 of this reference document).

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.

Headcount

EVOLUTION BETWEEN 2009 AND 2011

At 31 December 2009, 2010 and 2011 the Group had respectively 13,803, 13,903 and 15,776 employees worldwide (including temporary staff [1]).

The table below provides an analysis of the headcount by region over the past three years:

Headcount by geographic region	31/12/2011	31/12/2010	31/12/2009
France	8,467	8,189	8,463
Europe (excl. France)	2,590	1,964	2,018
North America	2,790	2,369	2,032
Asia	1,629	1,224	1,141
Rest of the world	300	157	149
TOTAL ARKEMA	**15,776**	**13,903**	**13,803**
of which permanent	*15,277*	*13,449*	*13,409*

At 31 December 2009, 2010 and 2011, the number of temporary staff worldwide amounted to 394, 454 and 499 respectively.

At 31 December 2011, headcount in France accounted for 53.7% of the Group's overall headcount.

(1) Temporary staff are those who do not benefit from a permanent employment contract.

BREAKDOWN BY CATEGORY AND SEX

At 31 December 2011, 24% of the Group's total employees were in managerial positions. In the same year, women made up 21.2% of the Group's total employees.

Geographic region	Managerial	Non Managerial	Male	Female
France	1,591	6,876	6,646	1,821
Europe (excl. France)	535	2,055	2,081	509
North America	1,205	1,585	2,219	571
Asia	367	1,262	1,246	383
Rest of the world	90	210	241	59
TOTAL ARKEMA	**3,788**	**11,988**	**12,433**	**3,343**
of which permanent	*3,747*	*11,530*	*12,126*	*3,151*

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	34	11	45	459	169	628	493	180	673
25 to 29 years	134	87	221	747	239	986	881	326	1,207
30 to 34 years	255	131	386	1,125	306	1,431	1,380	437	1,817
35 to 39 years	353	166	519	1,375	311	1,686	1,728	477	2,205
40 to 44 years	469	171	640	1,456	334	1,790	1,925	505	2,430
45 to 49 years	508	161	669	1,576	361	1,937	2,084	522	2,606
50 to 54 years	530	120	650	1,432	326	1,758	1,962	446	2,408
55 to 59 years	383	75	458	1,153	290	1,443	1,536	365	1,901
60 to 64 years	156	16	172	234	59	293	390	75	465
65 years & over	26	2	28	28	8	36	54	10	64
TOTAL	**2,848**	**940**	**3,788**	**9,585**	**2,403**	**11,988**	**12,433**	**3,343**	**15,776**

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 helped receive a large number of job applications in 2010 and 2011. Interfaced with the AGEFIPH website (association for management of funds for disabled people in work), it compiles applications in response to the vacancies in the Group that fulfil the Group's diversity and equal opportunities commitments.

In France, the recruitment of "Oetam" personnel (Operators, Office Workers, Technicians and Supervisors) is since 2010 handled by a shared services centre which preselects the applicants and develops relations with targeted educational establishments. This new set-up helps optimise the processing of applicants per region, by compiling pools of candidates by profession or activity, and by developing concerted action for the sites in terms of relations with schools as well as advertising campaigns.

Evolution between 2009 and 2011

In 2011, the Group hired 1,079 employees under permanent employment contracts.

These figures apply to all of the Group's activities worldwide.

Recruitment permanent contracts by geographic region	2011	2010	2009
France	424	302	106
Europe (excl. France)	80	59	64
North America	314	269	127
Asia	229	219	116
Rest of the world	32	19	18
TOTAL ARKEMA	**1,079**	**868**	**431**

In 2011, ARKEMA saw 1,510 leavers and 3,383 newcomers including 1,751 related to the integration of the coating resins and photocure resins acquired from the Total group.

Geographic breakdown by category and sex

In 2011, 31.2% of new recruits concerned managerial profiles. Women accounted for 22.1% of these recruitments.

By geographic region at 31/12/2011	Managerial	Non Managerial	Male	Female
France	124	300	337	87
Europe (excl. France)	24	56	69	11
North America	139	175	246	68
Asia	40	189	171	58
Rest of the world	10	22	18	14
TOTAL ARKEMA	**337**	**742**	**841**	**238**

Breakdown by age range, category and sex

	Managerial			Non Managerial			Total		
Age range at 31/12/2011	Male	Female	Total	Male	Female	Total	Male	Female	Total
Under 25 years	32	6	38	147	32	179	179	38	217
25 to 29 years	50	18	68	139	50	189	189	68	257
30 to 34 years	43	21	64	91	24	115	134	45	179
35 to 39 years	28	10	38	77	17	94	105	27	132
40 to 44 years	32	11	43	55	11	66	87	22	109
45 to 49 years	30	7	37	36	11	47	66	18	84
50 to 54 years	28	4	32	24	4	28	52	8	60
55 to 59 years	9	4	13	14	4	18	23	8	31
60 to 64 years	2	0	2	2	4	6	4	4	8
65 years & over	2	0	2	0	0	0	2	0	2
TOTAL	**256**	**81**	**337**	**585**	**157**	**742**	**841**	**238**	**1,079**

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 takes part in many school events, such as recruitment forums, presentations, and sites visits. Initiatives involving schools aim to foster exchanges around ARKEMA and its activities with undergraduates from generalist engineering schools (*Mines de Paris*, *Centrale Paris*, *Polytechnique*) and schools of chemistry (ESPCI, *Chimie Paris*, ENSIC, ENSIACET, etc.). Mindful of optimising recruitment, ARKEMA also fosters permanent contact with business schools, in particular ESSEC and ESCP Europe.

As regards training for Oetam personnel, ARKEMA oversaw with the Aix-en-Provence IUT, the creation of a work-study bachelor's degree training students for the job of industrial site inspector, in order to address recruitment problems in a profession that is strategic for the safety of industrial plants. From the fourteen students enrolled in the first study program, four have been engaged on a work-study contract on various ARKEMA sites.

In 2011 ARKEMA joined the "Sino-French Program in Chemical Sciences & Engineering" club of industrial partners of *Fédération Gay Lussac*. This program aims to train chemical engineers with a dual French and Chinese culture, to help fulfil ARKEMA's expectations in terms of its development in Asia, in particular in China.

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 in this regard.

Employees work full time, and to a lesser extent part time. As an example, within Arkema France, working time amounts to 1,575 hours per year for a full-time employee, while the number of working hours for part-time employees ranges from 50 to 80% of the full-time quota. At Arkema France, on 31 December 2011, 315 people were employed on a part-time basis from a total of 5,923 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 32% of employees at 31 December 2011.

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 53,185 at 31 December 2011.

In 2011, the number of hours off work (excluding authorised leave) at Arkema France was 389,357, *i.e.* some 3.7% of total man-hours. The main reasons for absenteeism are sickness-maternity, accidents at work and commuting accidents.

17.1.4 Career management

17.1.4.1 Players and tools

Career management is one of the cornerstones in the development of human resources at ARKEMA, as it helps diversify the experience of employees, as part of their career path, and so ensure that they improve their skills on a regular basis, which is essential to the Group's development. The Group's career management policy is unique, whatever the employee's status (manager or "Oetam"), country, age or sex.

The mission of career management is therefore twofold:

- ensure that the company has the skills it needs now and in the medium term to carry through its development; and
- assist the employees in building up their career paths, by allowing them to enhance their skills and assisting them with their projects, based on the possibilities and opportunities within the Group.

The principles of this career management policy are as follows:

- provide every employee with the means to steer their career with the support they need at every stage;
- conduct a proactive internal promotion policy;
- identify and develop potential candidates in order to promote accountability and career development;
- promote functional or geographic mobility; and

- allow everyone to advance in the company, and build up their experience and skills, while ensuring the fluidity of the organisations.

The human resources development function communicates regularly with employees on career management principles, as well as on the professions and the vacancies in the Group.

As a result of changes in legislation in France regarding pensions and older people remaining in employment, an adjustment was made to the corresponding benefit-related liabilities as shown in note 20 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document, and a specific plan was put in place dedicated to older employees.

17.1.4.2 International experience

The Group conducts its activities essentially in Europe, America and Asia. It runs three international human resources management programs that help capitalize on its international diversity by developing the skills of its personnel around the world.

- International experts

Senior experts are sent to certain countries to work on major projects for the Group if their particular expertise is not already available locally. Their assignment is to launch and oversee the project, train the personnel, and transfer their skills. A number of these experts are currently involved in the Group's development projects in China.

- Development program – a career landmark outside the home country

ARKEMA offers its young executives the opportunity to spend a few years abroad. This allows them to discover other practices, while giving them an additional asset in the progress of their career. Following a two to three year foreign posting, they return home, ready to share the wealth of new skills they have gained.

- Exposure training

This three to six month training program allows ARKEMA personnel to broaden their field of expertise on one of the Group's sites used as training venue. This program utilizes the diversity and wealth of skills available within the Group, and is of as much benefit to those employees attending the training as it is to the host teams who can then discover another culture.

17.1.5 Training and development

ARKEMA's training policy aims to boost its employees' skills in safety health, the Group's professions and activities, and management.

To fulfil this ambition, new Group-wide programs are constantly being developed, and various initiatives are implemented. These programs relate in particular to knowledge of the Group and induction into the Group, taking up a managerial post, and raising management knowledge and skills for experienced team managers, the prevention of stress at work, and the development of new professional skills in changing environments

In terms of safety, ARKEMA continues to develop programs to heighten its employees' awareness of the main risks involved in their jobs, as well as adopt simple preventive behaviours.

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; and
- 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 France, profit-sharing and incentive agreements give every employee the opportunity to share in the results and the progress achieved by their entities.

Free share allocation plans and stock option plans, in place since 2006, are also part of the compensation policy. Further detail may be found in section 17.5.4 of this reference document.

The Group validates its overall compensation policy through regular benchmarking against companies of a similar nature.

The Group has also been developing a policy regarding gender equality in employment and compensation for a number of years.

In the United States, Arkema Inc. has drawn up an action plan for the period 1 June 2011 to 31 May 2012 promoting gender equality in employment and compensation for all employees and all job applicants, with the same qualifications, and irrespective of race, skin color, country of origin, religion or sex. This employment equality policy is being promoted systematically, both inside and outside the company. The following are some of the measures put in place to ensure equality in employment and achieve quantifiable results:

- conducting periodic reviews of job descriptions to ensure they accurately reflect job-related duties and responsibilities, as well as annually reviewing job qualifications by department and job title for job-relatedness, and using job performance criteria, in order to safeguard job equality and consistency between jobs;
- making good-faith efforts to recruit on the single criterion of suitability of the qualifications to the job. Arkema Inc. focuses in particular on training people involved in the recruitment process, providing them with job descriptions and the qualifications required, and remedying any situation that shows a significant failure in the employment of minorities and women within the company's sites.

In France, ARKEMA ensures that female employees benefit from the same career development opportunities as their male counterparts. In fact, from 16 promotions to management posts in 2011 at Arkema France, 25% concerned women, while women at 31 December 2011 accounted for just under 20% of Oetam personnel. Additionally, 25% of promotions to supervisor status involved women.

17.1.7 Diversity

17.1.7.1 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 covered the 2008-2009-2010 years. It confirmed the Company's undertakings in terms of solidarity, social responsibility, and respect of diversity.

Accordingly, a large number of actions have been taken, including:

- the training of local coordinators and/or officers present on every Arkema France site;
- a network of specialist partners put in place to promote the recruitment and continued employment of disabled people;
- the implementation of 73 job retention actions, training and career development;
- service contracts with the protected sector;
- various internal and external communication actions designed to dispel prejudices and misgivings that contribute to hindering the integration of disabled people in the world of work.

The recruitment objectives set out under this agreement have been achieved and, in some cases, exceeded:

- signing of 14 permanent contracts, 22 fixed-term contracts, 55 temporary working assignments, and 17 training/work-experience contracts for disabled people;
- particular drive to train young disabled people, resulting in 40 training contracts as part of their initial training course or their vocational retraining course;
- an increase of over 50% in hours of labor invoiced by the protected sector.

The agreement was renewed on 16 June 2011 for the 2011-2012-2013 period, and ratified on 20 July 2011 by the Hauts-de-Seine Prefect. Based on a qualitative and quantitative report of actions undertaken in the last three years, it consolidates the measures taken and puts in place further actions, while also setting new quantitative recruitment objectives.

In 2011, it entailed 8 permanent employment contracts, 6 fixed-term employment contracts, 4 temporary working assignments, and 12 traineeship agreements.

17.1.7.2 Employment of older people

Over and above the disability employment policy, ARKEMA has undertaken, as part of its actions promoting diversity, an action plan on the Management of careers of older people, signed by the management on 10 December 2009 covering the period 1 January 2010 to 31 December 2012.

Under this plan, ARKEMA reaffirms its commitment to implementing a career management policy for older people, ensuring their ongoing suitability for employment, and taking account of the capital of experience that this population represents.

This plan sets a recruitment target for employees aged 50 and over at 5% on average over three years. The percentage achieved was 12.8% in 2010 and 9.2% in 2011.

It entails three areas for action:

- anticipating career development,
- developing skills and qualifications as well as access to training,
- transferring knowledge and skills, and developing tutoring and mentorship.

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;
- a behavioral component, under the Safety in Action label, including safety and health at the workstation, as improvement in performance is closely linked to the implementation of a common safety culture. Action plans take increasing account of the human behavioral component for everyone present on the industrial sites – both ARKEMA employees and subcontractors.

As part of the Arkema safety policy and the improvement of our safety records, actions are being boosted through action plans specific to the sites as well as communication and awareness actions targeting every employee. These actions entail four areas:

- communication from the Management;
- rollout of Safety **Essentials**, each Essential based on clearly defined rules, known to everyone, and adequately supported in concrete terms;
- consolidation of Safety **High Points**. The principle of High Points is to focus team meetings on safety topics, from which action plans relevant to each work environment can be drawn up; and
- further communication on this topic to reaffirm the company's commitment through a slogan and the display of our safety records on each site.

Additionally, peer observation actions are being consolidated. 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.

17.2.2 Health and safety at work

- Protection of health at the workstation

ARKEMA has developed a tool for monitoring individual exposure to toxic products, which is used jointly by occupational physicians and HSE departments in France. Another tool, called "MRT - *Management des risques et des tâches*" (Risk and Task Management), was rolled out in France, and in the United States. This comprehensive workplace risk analysis software helps with overseeing improvement actions.

- "No drugs, no alcohol"

ARKEMA has launched a drug and alcohol prevention initiative across the Group, the rollout of which was completed on 1 January 2008.

- Health and wellbeing

In 2010, Arkema Inc. further confirmed its commitment to the health of its employees and their families by formalizing the notion of a "Health Culture". Health Culture at Arkema Inc. includes projects and programs that encourage employees and their families to favour a healthy living environment in order to help minimize the need for medical care.

In France, the Group has organized training called "*Sommeil, Alimentation, Travail*" (Sleeping, Eating, Working) for members of occupational health departments.

- Prevention of psycho-social risks

Psycho-social risks cover a variety of notions, including harassment, violence, and stress at work.

In 2008, ARKEMA launched a medical individual prevention initiative for stress at work. This is based on a diagnosis of employees' stress levels established at a medical check-up. ARKEMA also launched in 2009 a collective prevention initiative for stress at work designed to take action on the work environment where it has been identified as an "area involving risk" based on relevant indicators. This collective prevention initiative is covered by an agreement for Arkema France, signed in May 2010 by four out of five trade unions. Through this agreement, ARKEMA reaffirms its ambition to provide to each of its employees a professional environment that is conducive to wellbeing at work.

This agreement covers preventive actions (including training, communication and support), the setting-up of a procedure for recognizing areas involving risk, and their analysis in order to identify stress factors and the corrective actions to be put in place.

In accordance with this agreement, the Arkema France "Observatory" for occupational stress was put in place in 2010. Centrally, it comprises representatives concerned by the issue of stress, occupational health departments, HR, HSE representatives, as well as employee representatives corresponding to three members appointed by the signatory trade unions. The Observatory meets at least once a year. At individual site level, it is represented at an annual meeting attended by the occupational physician, the HR and HSE managers, and two representatives appointed by the trade unions signatory to the agreement. The CHSCT president and secretary (or their representatives) are also invited to attend the meeting.

Since its creation, the Observatory has monitored the rollout of action plans over time, and followed up the impact of existing actions. It can formulate recommendations on action plans, and propose the application, across the company, of best practice observed at individual Group sites.

Its work has involved:

- the Arkema France consolidated results of the medical observatory of stress;
- the design of stress prevention training initiatives;
- the drawing-up of follow-up indicators;
- the referencing of consultancies carrying out in-depth analyses of stress factors in environments carrying risks;
- communication and awareness actions on topics such as the use of mobile devices;
- ways of bolstering social support at ARKEMA.

17.3 DIALOGUE WITH SOCIAL PARTNERS AND THE 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, 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; and
- 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 2011, the plenary meeting was held at the headquarters of Arkema S.A. on 25 and 26 May.

The liaison office of the European works council, which comprises eleven members, meets with the management once every six months.

In 2011, the members of the liaison office of the European works council met on 6 October at the headquarters of Arkema S.A. for ordinary meetings.

An extraordinary meeting of the European works council was held on 15 December 2011 in place of the six-monthly meeting of the liaison office to inform council members of the plan to spin off and divest the Vinyl Products segment within the European Union.

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

At Group level in France, an amendment to the agreement establishing the European works council was reached on 26 May 2011.

Arkema France reached twelve company agreements since the beginning of 2011, as follows:

- amendment n° 3 to company agreement on the *Ark'Santé* healthcare costs refund scheme, reached on 5 January 2011;
- agreement on social dialogue, trade union rights and personnel representation within Arkema France, reached on 3 February 2011;
- agreement on the impact of the pensions reform law on early retirement provisions, reached on 8 April 2011;
- amendment to agreement of 19 November 2009 on early retirement provisions as part of the project to reorganise the Carling industrial site (France), reached on 8 April 2011;
- agreement on the impact of the pensions reform law on voluntary early retirement provisions, reached on 8 April 2011;
- agreement on incentive payments for the 2011/2012/2013 tax years, reached on 28 April 2011;
- agreement on compensation of financial losses related to withdrawal of on-call duty system, reached on 27 May 2011;
- renewal of company agreement for the promotion of ongoing employment and recruitment of disabled people, reached on 16 June 2011;
- agreement on Arkema France central works council, reached on 8 September 2011;
- agreement on distribution of seats on Arkema France central works council, reached on 8 September 2011;
- agreement on home-workplace travel allowance revaluation methods, reached on 14 September 2011;
- amendment n° 8 to memorandum of understanding of 18 December 1985 modifying complementary benefits provisions within Arkema France, reached on 14 November 2011;
- amendment to agreement of 20 December 2002 on the harmonization of compensation structures – integration of ex Cray Valley personnel, reached on 11 January 2012.

Within the French subsidiaries the following agreements were signed:

- Coatex:
  - on 4 January 2011, agreement on additional incentive payment,
  - on 30 September 2011, agreement on pre-electoral provisions for trade union elections.
- CECA:
  - on 11 February 2011, agreement on pay policy for 2011,
  - on 23 May 2011, agreement on incentive payments for the period 2011-2013,
  - on 22 December 2011, agreement on gender equality in the workplace.
- Alphacan:
  - on 3 January 2011, amendment n° 1 to agreement on incentive payments,
  - on 10 February 2011, agreement on pay policy as part of statutory annual negotiations,
  - on 9 November 2011, amendment n° 2 to social support agreement regarding the proposed dissolution of the company through merger of Alphacan Soveplast assets and liabilities.
- MLPC International:
  - on 14 February 2011, agreement on annual collective negotiations,
  - on 17 June 2010, agreement on incentive payments for the 2011-2013 period.
- Altuglas International S.A.:
  - on 8 February 2011, agreement on annual collective negotiations for 2011,
  - on 9 June 2011, amendment to agreement of 2 February 2010 on early retirement provisions as part of the reorganization of the Sheet Europe activity.
- Résinoplast:
  - on 18 February 2011, agreement on pay policy following annual mandatory negotiations.
- Sunclear:
  - on 16 December 2011, agreement on the prevention of harsh working conditions.

Outside France, the employee relations policy within the Group and its affiliates is carried out based on local practices applicable to staff representation and employee/management relations:

- Germany: agreements reached with Central Works Council and works councils of the various sites of Arkema GmbH concerned in particular company internal regulations, smoking ban on company premises, video and camera surveillance inside the company, telephone on-call system, and discounting of non-work days in the company;
- Spain: negotiations on collective agreements at each site have resulted in agreements for a three-year term (2010-2012);
- 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; they set out wages, employee benefits, and working conditions in particular. In 2011, six agreements were negotiated: three signed by Arkema Inc. as part of the acquisition by ARKEMA of Total's coating resins. The agreements negotiated in 2011 are for a longer term to ensure that the various global agreements are better spaced out. Accordingly, one agreement was signed in Bristol, in force until 2014, another in Kensington, in force until 2015, and another in Birdsboro, in force until 2016. The three agreements relating to the acquisition of Total's coating resins were signed respectively in Kansas City (2012 expiry), in Lemont (2012 expiry), and in Saukville (2016 expiry). Several negotiations also took place in 2011 to provide healthcare and wellbeing services to employees working on newly acquired production sites.

17.3.2 Employee relations and the 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 with employee representative organizations as part of the 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 11 December 2008, the central works council of Alphacan was informed of the proposed industrial reorganization of the Profiles business in France. The project entailed the loss of 37 positions resulting from the closure of the Hasparren site (France) in two phases (16 positions in June 2009 and 21 positions at 31 December 2009), and the creation of 12 positions at Alphacan's other three Profiles sites in France. A redeployment unit was set up in 2009, and provided support to those employees requesting it, with no time limit. This support ended in the spring of 2011. A regeneration agreement was implemented. A report by the Pyrénées-Atlantiques *préfecture* on 10 October 2011 highlighted the creation of 51 jobs (including former employees turned entrepreneurs), and the installation of two companies on the site of the closed facility, representing 37 jobs.
- The information and consultation process involving the Central Works Council of Altuglas International initiated on 25 June 2009 regarding the proposed reorganization of the Altuglas International PMMA Sheet business entailing recentering in Europe on higher added value sheet was concluded on 26 January 2010. This reorganization has led to the loss of 73 positions on the Bernouville site, France. At 31 December 2011, 2 people were still relying on the support unit in their search for work.
- 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 reorganization of the Saint-Auban facility has entailed the loss of 58 positions. In addition to assistance with internal and external mobility, management 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. By 31 December 2011, every single employee had found a redeployment solution.
- On 7 April 2011, members of the Arkema France central works council were consulted on a project to acquire Total's coatings resins and photocure resins activities, concerning 1,748 employees around the world.
- On 10 November 2011, a meeting was held to inform and consult members of the Arkema France central works council on the proposed future organization of the Jarrie site, as part of the ongoing reorganization presented to the site's works council on 23 March 2010. This project is expected to lead to the loss of 103.5 to 115.5 posts. Those employees concerned will leave the site under early retirement provisions for asbestos workers. This will involve no redundancy measures.
- On 5 December 2011, an information and consultation process involving members of the Arkema France central works council was launched regarding a project for the spinoff and divestment of the vast majority of the Vinyl Products segment. This process is still ongoing (see section 4.3.3 of this reference document).

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. Guaranteed payment levels in the event of death represent at least two years' salary.

As part of the acquisition of Total's coatings resins and photocure resins and in every country in which employees from the companies concerned – Cray Valley, Cook Composites & Polymers, and Sartomer – transferred to a Group company, "mirror" schemes have been put in place whereby those employees were invited to take up the ARKEMA provisions where these were similar to the package they had before.

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 chapter 20 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 Assurances 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.

As part of the proposed divestment of almost all activities in the Vinyl Products segment (see section 4.3.3 of this reference document), there are no plans to transfer supplementary pension liabilities.

Collective Pension Plan – French companies in the Group

A Collective Pensions Savings Plan (*Plan d'Épargne pour la Retraite Collectif*, PERCO) Group agreement was concluded on 21 July 2010 to allow those employees of French companies in the Group who have taken up this agreement to build up pensions savings, with their employer's help.

From the first few months, the scheme was met with great success, with a subscription rate of the order of 35%.

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; and
- 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. In 2010, ARKEMA carried out a project to outsource pension commitments in the Netherlands concerning deferred members.

As part of the acquisition of Total's coatings resins and photocure resins, the Group has taken over pension liabilities in Germany, the Netherlands and the United Kingdom, accounted for as provisions in the consolidated financial statements. In the United Kingdom, the liabilities of pensioners and former employees have remained with the Total group.

Further details may be found in note 20.3 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

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 28 April 2011 by the CFDT, CFE-CGC, CFTC and CGT-FO trade unions. It is valid for three years, and covers the 2011, 2012 and 2013 financial years. Total incentive compensation that can be paid out for a given year represents a maximum of 5.7% of total payroll.

In accordance with the provisions of social security amending finance law n° 2011-894 of 28 July 2011 for 2011, management and trade unions met at the Group level in order to negotiate the terms of the profit-sharing bonus for employees. The parties were unable to reach an agreement, and so a €300 profit-sharing bonus for every Group employee in France was put in place by unilateral decision.

17.5.2 Employee savings schemes

A Group Savings Plan (*Plan d'Épargne 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.

Accordingly, two share capital increase operations were implemented, one in 2008 and the other in 2010. Each of these operations enabled some 4,000 employees from 17 countries to subscribe for Arkema shares under special terms, thereby increasing employee shareholding by approximately 2.5 points.

At 31 December 2011, Group employees within the meaning of article L. 225-102 of the French Commercial Code (*Code de commerce*) held 4.75% of the share capital of Arkema S.A.

Using the delegation of powers renewed by the extraordinary general meeting on 1 June 2010, and in line with its commitment to conduct on a regular basis shared capital increase operations reserved for employees, the Board of Directors, meeting on 7 March 2012, agreed the launch of a worldwide operation enabling employees in the main countries where the Group operates to acquire shares under special terms. The subscription period spanned 12 March to 25 March 2012 inclusive. The subscription price was set at €54.51 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' meeting minus a 20% discount.

17.5.4 Stock options and free share allocations

The combined annual general meeting of 15 June 2009 renewed the authorization given to 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 in the Group's future growth as well as its stock market performance.

In implementing this authorization, in accordance with the provisions of French law of 3 December 2008 on labor income and on recommendation from the Nominating, Compensation and Corporate Governance Committee, the Board of Directors put in place various stock option plans and free share allocation plans.

Furthermore, the share retention requirements applicable to the members of the Group's Executive Committee put in place in 2007 were amended in 2010 and 2011.

Accordingly, the Board of Directors decided from the 2010 plans, the following share retention requirements for the Chairman and Chief Executive Officer and for the members of the Group's Executive Committee, until termination of their duties:

- at least 30% of the shares definitively awarded to the Chairman and Chief Executive Officer;
- at least 20% of the shares definitively awarded to the members of the Executive Committee, excluding the Chairman and Chief Executive Officer;
- a number of shares resulting from the subscription options exercised corresponding to at least 40% of the net gain on acquisition for all members of the Executive Committee.

These obligations shall be suspended once the number of Arkema shares held, whatever their origin, represents a global amount equivalent to:

- 200% of gross annual fixed compensation for the Chairman and Chief Executive Officer,
- 150% of fixed gross annual compensation for members of the Group's Executive Committee, excluding the Chairman and Chief Executive Officer.

However, when the Chairman and Chief Executive Officer owns a quota of shares, whatever their origin, representing twice the fixed part share of his current gross annual compensation, the share retention requirements shall apply under the following terms:

- at least 10% of the shares definitively awarded, after this threshold has been reached,
- a number of shares resulting from the subscription options exercised corresponding to at least 10% of the net gain on acquisition.

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.

PREVIOUS STOCK OPTION PLANS

The plans implemented in 2006, 2007 and 2008 stipulate that these options may only be exercised after an initial two-year period, provided the bearer is still employed by the Group, and that shares acquired by the exercise of options may not be sold for a further two-year period.

In 2009, given the exceptional economic environment, it was decided not to award any stock options.

The plan implemented in 2010 provides for half of the options awarded to be exercised after two years, subject to employment and performance conditions, followed by a two-year lock-up period. The remaining half of the stock options may be exercised after a five-year period, subject to attendance and performance conditions, with no lock-up period.

The performance conditions concern the Group's EBITDA margin and the progress of ARKEMA's EBITDA margin compared to a panel of other chemicals manufacturers.

STOCK OPTION PLANS 2011

In 2011, on a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 4 May 2011 decided to award stock options to members of the Executive Committee by implementing two plans.

The rules of Plan 1 stipulate that options may be exercised after an initial two-year period, provided the bearer is still employed by the Group, and subject to ROCE performance criteria. Shares acquired by the exercise of options may not be sold for a further two-year period.

The rules of Plan 2 stipulate that options may be exercised after a four-year period, provided the bearer is still employed by the Group, and subject to performance criteria based on the average EBITDA margin for the 2011 to 2014 period. Shares acquired by the exercise of options may be exercised after this exercise deferral period.

Tables for Arkema S.A. stock option plans at 31 December 2011 are featured in note 28.1 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

Free share allocation plans

PREVIOUS FREE SHARE ALLOCATION PLANS

The plans implemented in 2006, 2007, 2008 and 2009 feature common characteristics.

The free allocation of shares is not definitive until the end of a two-year period (the acquisition period).

Following this acquisition period, and subject to the conditions set by the plan (performance and employment in the Group), 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.

In 2010, a plan was implemented for employees of the Group's French companies based on the same provisions as previous plans: two-year acquisition period, two-year holding period, and employment and performance conditions.

A plan was also implemented for employees of the Group's subsidiaries outside France based on a four-year acquisition period, with no lock-up period, and under the same employment and performance conditions as the plan intended for employees of the Group's French companies.

The performance conditions generally concerned the Group's EBITDA margin and its progress compared to a panel of other chemicals producers.

PERFORMANCE SHARE PLAN 2011

In 2011, on a proposal by the Nominating, Compensation and Corporate Governance Committee, the Board of Directors meeting on 4 May 2011 agreed the terms of three performance share allocation plans.

Plans 1 and 2 are intended for employees of the Group's French companies.

The rules of Plan 1 stipulate that rights to performance shares may only be definitively awarded at the end of a two-year period from the award date, provided the bearer is still employed by the Group, and subject to performance conditions. Shares definitively awarded may not be sold for a further two-year period (holding requirement). The rules of Plan 2 stipulate a three-year rights acquisition period in order to increase the loyalty component, a two-year holding period, and employment and performance conditions. When they exceed 200, the beneficiary' rights are split evenly between Plan 1 and Plan 2. When they are below 200, the beneficiary is awarded his rights under Plan 1.

Plan 3 is intended for employees of the Group's subsidiaries outside France; its rules stipulate that rights to performance shares may only be definitively awarded at the end of a four-year period from the award date, provided the bearer is still employed by the Group, and subject to performance conditions. Shares that have been definitively awarded may be sold freely at the end of this period.

Note that the performance conditions concerning ARKEMA's 2011 EBITDA and the progress of ARKEMA's EBITDA margin compared to a panel of other chemicals producers, common to all three plans, only apply to the quota of a beneficiary's rights in excess of 80 rights, for all plans, except for members of the executive committee for whom the performance criteria apply to all rights.

These three plans comprise some 700 beneficiaries and 200,000 rights to performance shares, *i.e.* 88,305 under Plan 1, 59,380 under Plan 2, and 52,315 under Plan 3.

Tables for Arkema S.A. free share allocation plans at 31 December 2011 are featured in note 28.2 to the consolidated financial statements at 31 December 2011 in chapter 20 of this reference document.

17.6 CORPORATE CITIZENSHIP

Common Ground® is a long-term community relations initiative designed to acquaint all of the Group's stakeholders, in particular the communities living in the vicinity of our industrial sites, with ARKEMA's activities and products. This initiative is based on listening, discussing, explaining, informing on the way our plants operate, the management of risks regarding health, safety and environment, ARKEMA's innovation, and the everyday application of the products manufactured.

Launched in France in 2002, 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, events in schools, support to local organizations, etc. As part of this initiative, in the United States the Arkema Inc. Foundation strives to improve the quality of life in the communities based near the Group's plants in North America, by providing backing to various social, cultural and educational organizations.

Actively involved in the 2011 International Year of Chemistry

The 2011 International Year of Chemistry (IYC) was a unique opportunity to promote, celebrate and publicise the key role played by chemistry in meeting the needs of society while providing solutions to sustainable development. The address by the Chairman and Chief Executive Officer of ARKEMA at the IYC official launch ceremony at the Unesco headquarters in January 2011, the Group's active participation in events organised in France, including the IYC inaugural event "*L'art en la matière*", and the road show "*Vous avez dit chimie?*" organised by the French *Union des Industries Chimiques*, the partnership established with *Palais de la découverte* in Paris, and the many Common Ground® initiatives demonstrated ARKEMA's commitment to improving the image of chemistry and of the chemical industry.

An ARKEMA laboratory at Palais de la découverte

In 2011, the partnership between ARKEMA and *Palais de la découverte* was exemplified by two major operations aimed at celebrating the IYC with a series of events throughout the year.

A high-tech chemistry laboratory adapted to public experiments was set up in the *Palais* for a program of presentations and talks entitled "*Étonnante chimie*" (Amazing chemistry). Inspired from ARKEMA innovations in four areas, "*les liaisons secrètes des molécules*" (The secret bonds of molecules), "*le plastique qui se cultive*" (Cultivating plastics), "*une peinture verte quelle que soit sa couleur*" (Green paint whatever its colour), and "*du fluor high tech pour apprivoiser l'énergie*" (high tech fluorine to harness energy), these events run by the *Palais* teams of science mediators enabled over 10,000 visitors including 50 school parties to discover chemistry and its contribution to everyday life in an entertaining and interactive mode.

Moreover, during school holidays, the group set up at *Palais de la découverte* "*Mission à Carbone City*" (Mission to carbon city), an educational role-play designed by the Axelera chemistry-environment competitiveness cluster, of which ARKEMA is a founding member. Over a period of four months overall, 3,000 visitors participated in this game, thereby taking up "the challenges of chemistry and the environment".

Stepping up communication with people living near industrial sites

In China, France and the United States, ARKEMA is actively involved with schools in the vicinity of its facilities, the aim being to publicise the modernity of chemistry, draw students towards the profession, and anchor our plants in their environment.

In this International Year of Chemistry, ARKEMA particularly bolstered its community relations drive. In France, over 180 Common Ground® operations took place on 22 sites (plants, R&D centers, subsidiaries, etc.), reaching out to some 6,000 people.

ARKEMA was also heavily involved in the 20th edition of *Fête de la science*, which this year focused on chemistry. This nationwide event in France is organised every year across the country on the initiative of the French Ministry for Higher Education and Research. The Group has taken part in this event since 2003. Over a period of five days, this celebration of science and chemistry involved more than fifteen sites, with ARKEMA employees rallying round to talk about the Group's chemistry, present its latest innovations, hold discussions, and share their know-how with the general public.

Supporting generous initiatives in line with ARKEMA's values

As part of a partnership launched with the French Red Cross in 2006, schools in the vicinity of the Group's sites in France continued to turn to ARKEMA in 2011 for first-aid training for both their students and their teachers. Since its signature, this partnership has helped provide first-aid training to some 6,000 people (employees, people living near the 30 industrial sites run by ARKEMA and its subsidiaries in France).

Created in October 2008 under the aegis of *Fondation de France* and ARKEMA, *Fondation ENSIC* (*École Nationale Supérieure des Industries Chimiques*) aims to promote access to the school's curricula by granting scholarships to students experiencing financial hardship. Since its creation, the foundation has provided assistance to 25 students, and, at a meeting in November 2011, its executive committee voted for a further 12 scholarships to be awarded in 2012.

17.7 THE ETHICS MEDIATOR

The ethics mediator, whose term of office was renewed for a further four years in June 2010 by the Chairman and Chief Executive Officer, is independent of all hierarchy. His duties entail ensuring that the ARKEMA Code of Conduct is suitably circulated within the Group, and heightening awareness of the values and action principles set out in the Code, while helping everyone implement them. Accordingly, the Management may refer to him, or he may himself take in hand general points of ethics that concern ARKEMA and on which he voices an opinion. Additionally, he is available to every Group employee to help resolve individual or collective situations involving ethical matters (discrimination, harassment, unethical individual or collective behavior, etc.).

In 2011 the ethics mediator continued to disseminate the ARKEMA Code of Conduct, and raise awareness of the issue, in particular through training and induction for young recruits. He also continued to provide assistance with the resolution of individual situations on matters that were brought to his attention.

18

MAIN SHAREHOLDERS

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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 2009, 2010 and 2011 was as follows:

	2011			2010		2009	
	% 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							
Groupe Bruxelles Lambert [(a)]	10.0	12.5	12.5	5.0	8.1	n/a	n/a
Greenlight Capital [(b)]	5.5	5.0	5.0	9.9	9.1	10.6	9.9
AllianceBernstein L.P. [(c)]	n/a	n/a	n/a	5.0	4.6	n/a	n/a
Dodge & Cox [(d)]	n/a	n/a	n/a	5.2	4.7	10.1	9.4
BlackRock, Inc. [(e)]	n/a	n/a	n/a	n/a	n/a	5.5	5.2
M&G Investment Mgt (Prudential) [(f)]	n/a	n/a	n/a	n/a	n/a	5.7	5.3
Total [(g)]	n/a	n/a	n/a	n/a	n/a	4.2	7.7
2. Other institutional shareholders	**70.0**	**63.6**	**63.4**	**61.4**	**56.2**	**50.8**	**46.6**
of which holders of ADRs [(h)]	0.4	0.4	0.4	0.4	0.4	0.7	0.6
3. Group employees [(i)]**	**4.8**	**8.0**	**7.9**	**4.9**	**7.5**	**3.6**	**5.3**
4. Individual shareholders**	**9.4**	**10.9**	**10.9**	**8.4**	**9.8**	**9.5**	**10.6**
5. Treasury shares	**0.3**	**0.0**	**0.3**	**0.2**	**0.0**	**0.0**	**0.0**
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.*

** *This category includes part of the shares held via FCPEs on behalf of which société anonyme Amundi stated that on 10 November 2011 it crossed upward the 10% threshold of voting rights in the Company.*

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 61,864,577 shares corresponding to 68,161,755 voting rights at 31 December 2011 including 6,511,258 shares with double voting rights, (iii) 61,493,794 shares corresponding to 67,146,382 voting rights at 31 December 2010, including 5,788,868 shares with double voting rights, and (iv) 60,454,973 shares corresponding to 64,553,383 voting rights at 31 December 2009, including 4,186,010 shares with double voting rights. 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) 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.

Société anonyme Groupe Bruxelles Lambert reported that on 12 December 2010, following acquisition of double voting rights, it crossed over the 5% threshold of the Company's voting rights.

Société anonyme Groupe Bruxelles Lambert reported that on 30 December 2010 it crossed over the 5% threshold of the Company's share capital.

Société anonyme Groupe Bruxelles Lambert reported that on 2 September 2011 it crossed over the 10% threshold of the Company's voting rights.

Société anonyme Groupe Bruxelles Lambert reported that on 31 October 2011 it crossed over the 10% threshold of the Company's share capital, and made a declaration of intent to the *Autorité des marchés financiers* (French financial markets authority), in which it stated: "*The acquisition of voting rights of ARKEMA by GBL is part of its normal activity as a portfolio management company, and, as such, GBL has no intention of either implementing a particular strategy with regard to ARKEMA or exercising, in this respect, a specific influence on the management of ARKEMA. GBL does not intend to conduct operations listed under Article 223-17 I 6° of the AMF general regulations. GBL does not act jointly or in concert with any third party and has no intention of acquiring the control of ARKEMA, or seeking a representation or representations on the Board of Directors. GBL has financed the acquisitions of ARKEMA securities by its own means. GBL intends to increase to a very small extent its ARKEMA shareholding based on market opportunities; the ARKEMA shares and/or voting rights held by GBL are not the subject of a temporary sale agreement.*"

Société anonyme Groupe Bruxelles Lambert reported that on 14 March 2012 it completed the sale of its entire stake in the share capital of Arkema and that is does not own any share of the Company.

(b) 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*".

Greenlight Capital, LLC, Greenlight Capital, Inc., DME Advisors, DME Management GP, LLC, and DME Capital Management L.P. reported that they crossed in concert, as follows:

- downward, on 16 November 2010, the 10% threshold of the Company's voting rights;
- downward, on 1 December 2010, the 10% threshold of the Company's share capital;
- downward, on 8 July 2011, the 5% threshold of the Company's voting rights;
- upward, on 9 August 2011, the 5% threshold of the Company's voting rights.

(c) AllianceBernstein L.P. reported that it crossed :

- upward, on 20 July 2010, the 5% threshold of the Company's share capital;
- upward, on 23 July 2010, the 5% threshold of the Company's voting rights;
- downward, on 6 and 7 January 2011 respectively, the 5% threshold of the Company's voting rights and share capital.

(d) 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 the *Autorité des marchés financiers* (French financial markets authority), explaining that "*the customers of Dodge & Cox […] intended to acquire additional Arkema S.A. 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 S.A. or obtain a representation on the Board of Directors of Arkema S.A.*"

Dodge & Cox reported that it crossed:

- downward, on 11 May 2010, the 10% threshold of the Company's voting rights;
- downward, on 11 June 2010, the 10% threshold of the Company's share capital;
- downward, on 26 November 2010, the 5% threshold of the Company's voting rights;
- downward, on 17 February 2011, the 5% threshold of the Company's share capital.

(e) BlackRock Inc. stated that on 1 December 2009 it crossed over the 5% threshold of the Company's share capital and voting rights. This threshold crossing is the result of the acquisition by BlackRock Inc. of the company Barclays Global Investors on 1 December 2009.

BlackRock Inc stated that on 19 May 2010 it crossed downward the 5% threshold of the share capital and voting rights of Arkema.

Barclays Global Investors UK Holding Ltd, acting on behalf of Barclays group management companies, stated that these companies crossed:

- upward, on 3 February 2009, the 5% threshold of the Company's share capital;
- downward, on 18 March 2009, the 5% threshold of the Company's share capital;
- upward, on 19 August 2009, the 5% threshold of the Company's share capital;
- downward, on 21 October 2009, the 5% threshold of the Company's share capital.

(f) 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 reported that it crossed over the 5% threshold of the Company's voting rights on 17 June 2009.

Prudential Plc reported that it crossed downward the 5% threshold of the Company's voting rights on 2 June 2010.

(g) *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.A. shares and from the sale of Arkema S.A. 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 Mellon 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,* employee share ownership includes part of the shares held *via Fonds Communs de Placement d'Entreprise* (company collective investment fund).

Crédit Agricole Asset Management acting on behalf of the "Arkema Actionnariat France" FCPE (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, reported that on 6 April 2009 FCPE crossed over 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.

Amundi acting on behalf of the "Arkema Actionnariat France" FCPE (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, reported that FCPE crossed:

- upward, on 22 July 2010, the 10% threshold of the Company's voting rights through acquisition of shares;
- downward, on 29 September 2010, the 10% threshold of the Company's voting rights;
- upward, on 1 October 2010, the 10% threshold of the Company's voting rights.

On 5 October 2010, Amundi made a declaration of intent to the *Autorité des marchés financiers* (French financial markets authority) in which they stated that "*The acquisition of voting rights of Arkema S.A. by Amundi, on behalf of FCPE "Arkema Actionnariat France" (fonds commun de placement d'entreprise - company collective investment fund) is part of its normal activity as a portfolio management company and, as such, Amundi has no intention of either implementing a* *particular strategy with regard to Arkema S.A. or exercising, in this respect, a specific influence on the management of Arkema S.A. Amundi further stated that FCPE Arkema Actionnariat France does not act jointly or in concert with any third party, and that it has no intention of acquiring the control of Arkema S.A. or seeking a representation or representations on the Board of Directors, the Management Board or the Supervisory Board*".

Amundi acting on behalf of FCPE Arkema Actionnariat France (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, reported that FCPE crossed the threshold, as follows:

- downward, on 12 October 2010, the 10% threshold of the Company's voting rights;
- upward, on 12 April 2011, the 10% threshold of the Company's voting rights;
- downward, on 17 May 2011, the 10% threshold of the Company's voting rights;

Amundi acting on behalf of FCPE Arkema Actionnariat France (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, stated that FCPE crossed over, on 27 May 2011, the 10% threshold of the Company's voting rights, and made a declaration of intent to the *Autorité des marchés financiers* (French financial markets authority), in which it stated: "*The acquisition of voting rights of Arkema by Amundi in the name and on behalf of FCPE Arkema Actionnariat France is part of its normal activity as a portfolio management company, and, as such, Amundi has no intention of either implementing a particular strategy with regard to Arkema or exercising, in this respect, a specific influence on the management of Arkema. Amundi further states that FCPE Arkema Actionnariat France does not act jointly or in concert with any third party, and that it has no intention of acquiring the control of Arkema or seeking a representation or representations on the Board of Directors, the Management Board or the Supervisory Board.*"

Amundi acting on behalf of FCPE Arkema Actionnariat France (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, reported that FCPE crossed downward, on 19 July 2011, the 10% threshold of the Company's voting rights.

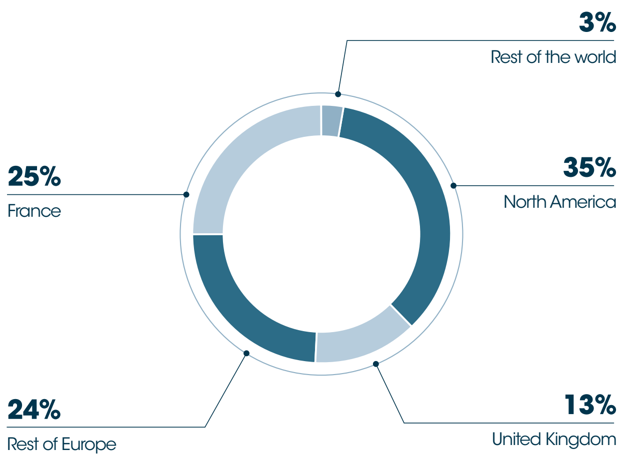
Amundi, acting on behalf of FCPE Arkema Actionnariat France (*fonds commun de placement d'entreprise* – company collective investment fund) that it manages, reported that FCPE crossed over, on 10 November 2011, the 10% threshold of the Company's voting rights, and made a declaration of intent to the *Autorité des marchés financiers* (French financial markets authority), in which it stated: "*The acquisition of securities of Arkema by Amundi in the name and on behalf of FCPE Arkema Actionnariat France is part of its normal activity as a portfolio management company, and, as such, Amundi has no intention of either implementing a particular strategy with regard to Arkema or exercising, in this respect, a specific influence on the management of Arkema. Amundi does not act jointly or in concert with any third party, and has no intention of acquiring the control of Arkema or seeking a representation or representations on the Board of Directors, the Management Board or the Supervisory Board.*"

Additionally, Norges Bank reported that it crossed:

- upward, on 12 January 2010, the 5% threshold of the Company's share capital and voting rights;
- downward, on 16 December 2010, the 5% threshold of the Company's voting rights, and on 20 December 2010, the 5% threshold of the Company's share capital;
- upward, on 15 April 2011, the 5% threshold of the Company's share capital;
- downward, on 13 May 2011, the 5% threshold of the Company's share capital.

Finally, Commerzbank AG reported that it crossed over, on 20 May 2011, the 5% threshold of the Company's share capital and voting rights, and crossed downward, on 3 June 2011, the 5% threshold of the Company's share capital and voting rights.

GEOGRAPHIC SHARE OWNERSHIP BREAKDOWN (ESTIMATED AT 31 DECEMBER 2011)



At 31 December 2010, the geographic breakdown of share ownership was estimated as follows: 44% for North America, 24% for France, 18% for the rest of Europe, 12% for the United Kingdom, and 2% for the rest of the world.

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.

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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 27 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.

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20.1 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report. This report, together with the statutory auditors addressing financial and accounting information in the Chairman's report on internal control, should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

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92923 Paris-La Défense Cedex

Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

ARKEMA

Year ended 31 December 2011

To the shareholders,

Following our appointment as statutory auditors by your general meetings, we present herewith our report for the year ended 31 December 2011, 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the 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 2011, and the results of its operations for the year then ended in accordance with IFRS as adopted by the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- Each year, the Group tests its property, plant and equipment and intangible assets for impairment following the methodology described in note 6 of chapter B of the notes to the financial statements ("Accounting principles"). We examined the methodology used for these impairment tests together with the underlying data and assumptions used and reviewed, the calculations and the sensitivity tests made by the Group. We also verified that the disclosures made in note 6 of chapter B of the notes to the financial statements, as well as notes 4, 11 and 12 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 9 of chapter B of the notes to the financial statements ("Accounting principles"). Notes 21.1 and 21.2.1 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 20.2, 20.4, 20.5, 20.6 regarding provisions, notes 21.1 and 21.2.1 regarding contingent liabilities, and notes 29.1, 29.2.1 and 29.2.2 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 10 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 10 of chapter B of the notes to the financial statements ("Accounting principles"). and notes 20.2 and 20.3 regarding provisions, of Chapter C "Notes to the consolidated financial statements" provide an appropriate level of information.
- The Group presents in notes 18 of chapter B and 9 of chapter C « Discontinued activities and assets held for sale » of the notes to the consolidated financial statements, firstly the accounting methods used for the discontinued activities and assets held for sale, and secondly, the financial elements relating to these activities. We examined the consistency of the underlying data and assumptions used as well as the documentation provided, and on this basis we assessed the reasonable nature of the estimates made. We also verified the suitability of the accounting methods, the classification of the elements concerned, and the information given in the financial statements and in the notes to the consolidated financial statements, in particular note 9 of chapter C were appropriate.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed wich is expressed in the first part of this report.

III. SPECIFIC VERIFICATION

As required by law we have also verified, in accordance with professional standards applicable in France, the information relative to the Group, given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Paris-La Défense, 16 March 2012

The statutory auditors

French original signed by

KPMG Audit	ERNST & YOUNG Audit	
Département de KPMG S.A.		
Bertrand Desbarrières	François Carrega	Valérie Quint

20.2 CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Consolidated income statement

(In millions of euros)	Notes	2011	2010
Sales	(C1&C2)	**5,900**	**4,869**
Operating expenses		(4,632)	(3,844)
Research and development expenses	(C3)	(132)	(123)
Selling and administrative expenses		(374)	(340)
Recurring operating income	(C1)	**762**	**562**
Other income and expenses	(C4)	(45)	(9)
Operating income	(C1)	**717**	**553**
Equity in income of affiliates	(C13)	17	15
Financial result	(C5)	(37)	(25)
Income taxes	(C7)	(125)	(115)
Net income of continuing operations		**572**	**428**
Net income of discontinued operations	(C9)	**(587)**	**(78)**
Net income		**(15)**	**350**
Of which: non-controlling interests		4	3
Net income - Group share	(C6)	**(19)**	**347**
Of which: continuing operations		**568**	**425**
Of which: discontinued operations		**(587)**	**(78)**
Earnings per share *(amount in euros)*	(C10)	(0.31)	5.69
Earnings per share of continuing operations *(amount in euros)*	(C10)	*9.22*	*6.96*
Diluted earnings per share *(amount in euros)*	(C10)	*(0.31)*	*5.67*
Diluted earnings per share of continuing operations *(amount in euros)*	(C10)	*9.12*	*6.95*
Depreciation and amortization	(C1)	(272)	(247)
EBITDA*	(C1)	1,034	809
Adjusted net income*	(C6)	500	362
Adjusted net income of continuing operations*		574	431
Adjusted net income per share of continuing operations *(amount in euros)*	(C10)	*9.31*	*7.06*
Diluted adjusted net income per share of continuing operations *(amount in euros)*	(C10)	*9.21*	*7.05*

* *See note B19 "Main accounting and financial indicators".*

The accounting policies applied in preparing the consolidated financial statements at 31 December 2011 are identical to those used in the consolidated financial statements at 31 December 2010, except for the policies described at the start of note B Accounting policies.

Consolidated statement of comprehensive income

(In millions of euros)	Notes	2011	2010
Net income		**(15)**	**350**
Hedging adjustments	(C24)	3	3
Deferred taxes on hedging adjustments		1	(1)
Actuarial gains and losses	(C20)	(28)	(19)
Deferred taxes on actuarial gains and losses		11	3
Other items		2	(1)
Deferred taxes on other items		-	-
Change in translation adjustments		55	121
Other comprehensive income of continuing operations		**44**	**106**
Other comprehensive income of discontinued operations		1	1
TOTAL INCOME AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY		**45**	**107**
Comprehensive income		**30**	**457**
Of which: non-controlling interests		6	5
Comprehensive income – Group share		**24**	**452**

Consolidated balance sheet

(In millions of euros)	Notes	31 December 2011	31 December 2010
Assets			
Intangible assets, net	(C11)	777	494
Property, plant and equipment, net	(C12)	1,706	1,703
Equity affiliates: investments and loans	(C13)	66	55
Other investments	(C14)	35	38
Deferred tax assets	(C7)	66	29
Other non-current assets	(C15)	109	89
TOTAL NON-CURRENT ASSETS		**2,759**	**2,408**
Inventories	(C16)	945	864
Accounts receivable	(C17)	834	875
Other receivables and prepaid expenses	(C17)	117	120
Income taxes recoverable	(C7)	36	20
Other current financial assets	(C24)	9	4
Cash and cash equivalents	(C18)	252	527
TOTAL CURRENT ASSETS		**2,193**	**2,410**
Assets held for sale	(C9)	380	-
TOTAL ASSETS		**5,332**	**4,818**
Liabilities and shareholders' equity			
Share capital		619	615
Paid-in surplus and retained earnings		1,484	1,567
Treasury shares		(10)	(6)
Translation adjustments		97	43
SHAREHOLDERS' EQUITY - GROUP SHARE	(C19)	**2,190**	**2,219**
Non-controlling interests		27	21
TOTAL SHAREHOLDERS' EQUITY		**2,217**	**2,240**
Deferred tax liabilities	(C7)	35	52
Provisions and other non-current liabilities	(C20)	791	807
Non-current debt	(C22)	583	587
TOTAL NON-CURRENT LIABILITIES		**1,409**	**1,446**
Accounts payable	(C25)	665	779
Other creditors and accrued liabilities	(C25)	265	279
Income taxes payable	(C7)	39	37
Other current financial liabilities	(C24)	12	3
Current debt	(C22)	272	34
TOTAL CURRENT LIABILITIES		**1,253**	**1,132**
Liabilities associated with assets held for sale	(C9)	453	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,332**	**4,818**

Consolidated cash flow statement

(In millions of euros)	2011	2010
Net income	(15)	350
Depreciation, amortization and impairment of assets	592	276
Provisions, valuation allowances and deferred taxes	88	(23)
(Gains)/losses on sales of assets	(37)	(11)
Undistributed affiliate equity earnings	(8)	(7)
Change in working capital	(85)	(78)
Other changes	8	4
Cash flow from operating activities	**543**	**511**
Of which: cash flow from operating activities of discontinued operations	**(153)**	**(8)**
Intangible assets and property, plant, and equipment additions	(424)	(315)
Change in fixed asset payables	24	36
Acquisitions of operations, net of cash acquired	(580)	(18)
Increase in long-term loans	(32)	(42)
Total expenditures	(1,012)	(339)
Proceeds from sale of intangible assets and property, plant, and equipment	13	17
Change in fixed asset receivables	-	(3)
Proceeds from sale of operations, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	45	3
Repayment of long-term loans	12	41
Total divestitures	70	58
Cash flow from investing activities	**(942)**	**(281)**
Of which: cash flow from investing activities from discontinued operations	**(55)**	**(32)**
Issuance (repayment) of shares and other equity	10	23
Purchase of treasury shares	(10)	(7)
Dividends paid to parent company shareholders	(61)	(37)
Dividends paid to minority shareholders	0	(1)
Increase/decrease in long-term debt	15	500
Increase/decrease in short-term borrowings and bank overdrafts	177	(317)
Cash flow from financing activities	**131**	**161**
Net increase/(decrease) in cash and cash equivalents	(268)	391
Effect of exchange rates and changes in scope	(5)	47
Cash and cash equivalents at beginning of period	527	89
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**254**	**527**
Of which: cash and cash equivalents of discontinued operations	**2**	**1**

At 31 December 2011, income taxes paid amount to €170 million.

Interest received and paid included in cash flow from operating activities at 31 December 2011 amount, respectively, to €4 million and €36 million (€0.7 million and €10 million at 31 December 2010).

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	Share-holders' equity – Group share	Non-controlling interests	Share-holders' equity
At 1 January 2010	**60,454,973**	**605**	**999**	**265**	**(78)**	**(407)**	**-**	**1,791**	**22**	**1,813**
Cash dividend	-	-	-	(37)	-	-	-	(37)	(1)	(38)
Issuance of share capital	1,038,821	10	12	-	-	-	-	22	-	22
Purchase of treasury shares	-	-	-	-	-	(178,000)	(7)	(7)	-	(7)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(1)	-	42,127	1	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	4	-	-	-	4	-	4
Other	-	-	-	(6)	-	-	-	(6)	(5)	(11)
Transactions with shareholders	**1,038,821**	**10**	**12**	**(40)**	**-**	**(135,873)**	**(6)**	**(24)**	**(6)**	**(30)**
Net income	-	-	-	347	-	-	-	347	3	350
Total income and expense recognized directly through equity	-	-	-	(16)	121	-	-	105	2	107
Comprehensive income	**-**	**-**	**-**	**331**	**121**	**-**	**-**	**452**	**5**	**457**
At 31 December 2010	**61,493,794**	**615**	**1,011**	**556**	**43**	**(136,280)**	**(6)**	**2,219**	**21**	**2,240**

	Shares issued					Treasury shares				
(In millions of euros)	Number	Amount	Paid-in surplus	Retained earnings	Translation adjustments	Number	Amount	Share-holders' equity – Group share	Non-controlling interests	Share-holders' equity
At 1 January 2011	**61,493,794**	**615**	**1,011**	**556**	**43**	**(136,280)**	**(6)**	**2,219**	**21**	**2,240**
Cash dividend	-	-	-	(61)	-	-	-	(61)	-	(61)
Issuance of share capital	370,783	4	10	-	-	-	-	14	-	14
Purchase of treasury shares	-	-	-	-	-	(210,000)	(10)	(10)	-	(10)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(6)	-	132,200	6	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	7	-	-	-	7		7
Other	-	-	-	(3)	-	-	-	(3)	-	(3)
Transactions with shareholders	**370,783**	**4**	**10**	**(63)**	**-**	**(77,800)**	**(4)**	**(53)**	**-**	**(53)**
Net income	-	-	-	(19)	-	-	-	(19)	4	(15)
Total income and expense recognized directly through equity	-	-	-	(11)	54	-	-	43	2	45
Comprehensive income	**-**	**-**	**-**	**(30)**	**54**	**-**	**-**	**24**	**6**	**30**
At 31 December 2011	**61,864,577**	**619**	**1,021**	**463**	**97**	**(214,080)**	**(10)**	**2,190**	**27**	**2,217**

20.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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A. HIGHLIGHTS

1. Acquisitions

In order to benefit from long-term, competitive access to fluorspar, a strategic feedstock in its North American fluorochemicals operations, ARKEMA and Canada Fluorspar Inc. (CFI) signed a memorandum of understanding in June 2011 for joint development by the two groups of a fluorspar mine in St. Lawrence (Newfoundland, Canada). After having invested CAD15.5 million to acquire a 19,9% stake in CFI, ARKEMA invested CAD68 million in a joint venture formed to run the St.Lawrence mine, expected to start operations in early 2013.

On 1 July 2011, ARKEMA completed its acquisition of two of Total's specialty chemical businesses for an enterprise value of €550 million: coatings resins (Cray Valley and Cook Composites and Polymers), and photocure resins (Sartomer). These activities are now part of the Industrial Chemicals segment. Their net contribution to ARKEMA's sales amounted to €408 million. Note C8 Business combinations gives details of the impact of this operation on the financial statements.

On 21 November 2011, ARKEMA announced a project to acquire two Chinese companies: Hipro Polymers, a fast-expanding producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used in particular to manufacture these polyamides 10.10. The two companies report aggregate sales estimated at $230 million for 2011, and employ 750 people on two sites in China. The acquisition price is based on an enterprise value of $365 million for 100% of the capital of both companies, and the operation was completed on 1 February 2012.

On 31 December 2011, ARKEMA completed the acquisition of the Seppic's specialty alkoxylates business for industrial markets. This extends ARKEMA's specialty surfactant range for industrial niche markets with high value added (CECA). Alkoxylates are also a key component in the manufacture of certain rheological additives showing significant growth, manufactured and marketed by Coatex.

2. Divestment

On 1 June 2011, the ARKEMA Group subsidiary Alphacan completed the divestment of its pipelines business in France to Pipelife France, a subsidiary of the Pipelife Group. This activity represents annual sales of some €45 million.

3. Divestment project

On 23 November 2011, ARKEMA announced a project to dispose of its Vinyl Products segment to the Klesch group, which specializes in the development of commodity-related industrial activities. The project entails the divestment of all French and Spanish assets directly related to the chlorine and chlorine derivatives, as well as all downstream activities around the world (compounds, pipes and profiles). The Jarrie facility (France), which will no longer be part of the vinyl products chain, would not be included in this new structure. The Saint-Auban facility (France) would only be concerned by the transfer of the PVC paste activity. The EVA activity at Balan (France) would not be concerned by the project. 1,780 employees in France and 850 employees outside France would be transferred to the new entity. In 2011 the sales of the discontinued operations amounted to €1,090 million.

The operation is expected to be completed by mid-2012, subject to the approval of the relevant antitrust authorities, the information and the consultation process with relevant worker councils.

The balance sheet, income statement and cash flow statement items of these activities are classified as discontinued operations. Details are given in note C9, Discontinued operations and assets held for sale.

This divestment project is reflected in the financial statements through recognition of an exceptional gross expense of €505 million, including a negative impact of approximately €88 million on ARKEMA's net debt, and recognition of a €22 million deferred tax asset.

4. Growth projects

In 2011 ARKEMA continued its expansion in Asia, with the start-up of two new production plants at the Changshu industrial platform in China:

- one producing the Kynar® PVDF polymer, which started operations in March 2011 to meet fast growing demand from the markets for high-performance industrial coatings, offshore oil, chemical engineering or emerging applications such as lithium-ion batteries, photovoltaics and water treatment;
- one producing rheological additives, which started operations in August 2011, giving Coatex a production capacity to serve the Asian markets for paints and coatings, cements, paper, and mineral treatment.

B. ACCOUNTING POLICIES

Arkema S.A. is a French limited liability company (*société anonyme*) with a Board of Directors, subject to the provisions of book II of the French Commercial Code and all other legal provisions applicable to French commercial companies.

The company's head office is at 420 rue d'Estienne d'Orves, 92700 Colombes (France). It was incorporated on 31 January 2003 and the shares of Arkema S.A. have been listed on the Paris stock exchange (Euronext) since 18 May 2006.

The consolidated financial statements of ARKEMA at 31 December 2011 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 7 March 2012. They will be submitted to the approval of the shareholders' general meeting of 23 May 2012.

The consolidated financial statements at 31 December 2011 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards

Board) as released at 31 December 2011 and the international standards endorsed by the European Union at 31 December 2011.

The accounting framework and standards adopted by the European Commission can be accessed from the following website: *http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm.*

The accounting policies applied in preparing the consolidated financial statements at 31 December 2011 are identical to those used in the consolidated financial statements at 31 December 2010, 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 2011 (and which had not been applied early by the Group), namely:

Standards	Title
IAS 24 (Revised)	Related party disclosures
Amendments to IAS 32	Classification of rights issues
Amendments to IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
Amendments to IFRIC 14	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments
	Annual improvements to IFRS (published in May 2010)

The application of these standards, amendments and interpretations 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 were not yet in force at 1 January 2011 and have not been applied early by the Group, is currently being analyzed. The following texts are involved:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Not adopted at 31 December 2011
IFRS 7	Disclosures - transfers of financial assets	Adopted on November 26, 2011
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities	Not adopted at 31 December 2011
IFRS 9	Mandatory effective date and transition disclosures	Not adopted at 31 December 2011
IFRS 10	Consolidated financial statements	Not adopted at 31 December 2011
IFRS 11	Joint arrangements	Not adopted at 31 December 2011
IFRS 12	Disclosure of interests in other entities	Not adopted at 31 December 2011
IFRS 13	Fair value measurement	Not adopted at 31 December 2011
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (OCI)	Not adopted at 31 December 2011
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	Not adopted at 31 December 2011
Amendments to IAS 19	Employee benefits	Not adopted at 31 December 2011
IAS 27 (Revised)	Separate financial statements	Not adopted at 31 December 2011
IAS 28 (Revised)	Investments in associates and joint ventures	Not adopted at 31 December 2011
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	Not adopted at 31 December 2011
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not adopted at 31 December 2011

Preparation of consolidated financial statements in accordance with IFRS requires Group management to make estimates and retain assumptions that can have an impact on the amounts recognized in assets and liabilities at the balance sheet date, and have a corresponding impact on the income statement. Management made its estimates and determined its assumptions on the basis of past experience and taking into account different factors considered to be reasonable for the valuation of assets and liabilities. Use of different assumptions could have a material effect on these valuations. The main assumptions made by management in preparing the financial statements are those used for measuring the recoverable value of property, plant and equipment and intangible assets, pension benefit obligations, deferred taxes and provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

The consolidated financial statements are prepared in accordance with the historical cost convention, except for certain financial assets and liabilities which are recognized at fair value.

The consolidated financial statements are presented in millions of euros, rounded to the nearest million, unless otherwise indicated.

The principal accounting policies applied by the Group are presented below.

1. Consolidation principles

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method.
- Investments in associates over which significant influence is exercised are accounted for under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.
- Shares owned in companies which do not meet the above criteria are included in other investments and recognised as available-for-sale financial assets in accordance with IAS 39.

All material transactions between consolidated companies, and all intercompany profits, have been eliminated.

2. Foreign currency translation

2.1 TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN COMPANIES

The functional operating currency of foreign companies in the scope of consolidation is their local currency, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates at the end of the period; the statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from translation of the financial statements of these subsidiaries are recorded either in "Translation adjustments" in shareholders' equity in the consolidated financial statements for the Group share or in "Non-controlling interests" for the share not directly or indirectly attributable to the Group.

2.2 TRANSACTIONS IN FOREIGN CURRENCIES

In application of IAS 21 "The effects of changes in foreign exchange rates", transactions denominated in foreign currencies are translated by the entity carrying out the transaction into its functional currency at the exchange rate applicable on the transaction date. Monetary balance sheet items are restated at the closing exchange rate at the balance sheet date. Gains and losses resulting from translation are recognized in recurring operating income.

3. Goodwill and business combinations

OPERATIONS AFTER 1 JANUARY 2010

The Group uses the acquisition method for the recognition of business combinations, in accordance with IFRS 3 (Revised).

The identifiable assets acquired and liabilities assumed are stated at fair value at the acquisition date.

Where the business combination agreement provides for a purchase price adjustment, the Group includes the fair value of this adjustment at the acquisition date in the cost of the business combination, even if the adjustment is optional.

Non-controlling interests are measured at the acquisition date, either at fair value (the full goodwill method) or the NCI's proportionate share of net assets of the entity acquired (the partial goodwill method). The decision of which option to use is made for each business combination. Subsequent acquisitions of non-controlling interests are always recorded in equity, regardless of the choice made at the time of the acquisition.

At the acquisition date, goodwill is measured as the difference between:

- the acquisition price plus the amount of any non-controlling interests in the acquired entity and the fair value of the acquirer's previously-held equity interest in that acquired entity,
- and the fair value of identifiable assets and liabilities.

Goodwill is recognised in the balance sheet assets. Any negative goodwill arising on an acquisition on favourable terms, and direct acquisition expenses, are recognized immediately in the income statement under "Other income and expenses" (see note B19 "Main accounting and financial indicators").

Contingent liabilities are recognized in the balance sheet when the obligation concerned is current at the acquisition date and their fair value can be reliably measured.

The Group has a maximum of 12 months to finalize determination of the acquisition price and goodwill.

OPERATIONS PRIOR TO 31 DECEMBER 2009

The Group applied IFRS 3. The main points affected by IFRS 3 (revised) are the following:

- goodwill was calculated as the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the fair value of their net assets and contingent liabilities at the acquisition date;
- for any subsequent acquisition in the same entity, the difference between the acquisition cost and book value of non-controlling interests was included in goodwill;
- price adjustments were included in the cost of the business combination if the adjustment was probable and could be measured reliably;
- contingent liabilities arising from potential obligations were recognized.

4. Intangible assets

Intangible assets include goodwill, software, patents, trademarks, know-how, 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, know-how and trademarks with indefinite useful lives are amortized on a straight-line basis over 3 to 20 years depending on the pattern according to which the entity envisages using the future economic benefits related to the asset.

The main categories of intangible assets and the amortization periods applied by the Group are as follows:

- patents: residual period until expiry of patent protection;
- licences: term of the contract;
- software: 3 to 5 years;
- capitalized research expenses: useful life of the project;
- REACH registration fees: protection period of study data.

4.1 GOODWILL

Goodwill is not amortized. It is subject to impairment tests as soon as any indicators of potential impairment are identified. Impairment tests are performed at least annually. The methodology used for the performance of impairment tests is described in paragraph B6 "Impairment of long-lived assets".

Goodwill is measured and recognized as described in note B3 Goodwill and business combinations.

4.2 TRADEMARKS AND KNOW-HOW

Trademarks and know-how with indefinite useful lives are not amortized and are subject to impairment tests.

4.3 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.

4.4 RESEARCH TAX CREDIT

The Group recognizes the research tax credit as a deduction from operating expenses.

4.5 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 B 4.3).

5. Property, plant & equipment

5.1 GROSS VALUE

The gross value of items of property, plant and equipment corresponds to their acquisition or production cost in accordance with IAS 16 "Property, plant & equipment". Gross value is not subject to revaluation.

Equipment subsidies are deducted directly from the cost of the assets which they financed. With effect from 1 January 2009 and in accordance with the revised version of IAS23, borrowing costs that are directly attributable to financing tangible assets that necessarily take a substantial period of time to get ready for their intended use or sale are eligible for capitalization as part of the cost of the assets for the portion of the cost incurred over the construction period.

Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance turnarounds of industrial facilities which take place at intervals of greater than 12 months are capitalized at the time they are incurred and depreciated over the period between two such turnarounds.

Fixed assets which are held under finance lease contracts, as defined in IAS 17 "Leases", which have the effect of transferring substantially all the risks and rewards inherent to ownership of the asset from the lessor to the lessee, are capitalized in assets at their market value or at the discounted value of future lease payments if lower (such assets are depreciated using the methods and useful lives described below). The corresponding lease obligation is recorded as a liability. Leases which do not meet the above definition of finance leases are accounted for as operating leases.

5.2 DEPRECIATION

Depreciation is calculated on a straight-line basis on the basis of the acquisition or production cost. Assets are depreciated over their estimated useful lives by category of asset. The principal categories and useful lives are as follows:

- machinery and tools: 5-10 years;
- transportation equipment: 5-20 years;
- specialized complex installations: 10-20 years;
- buildings: 10-30 years.

These useful lives are reviewed annually and modified if expectations change from the previous estimates. Such changes in accounting estimate are accounted for on a prospective basis.

6. Impairment of long-lived assets

The recoverable amount of property, plant & equipment and intangible assets is tested as soon as any indication of impairment is identified. A review to identify if any such indication exists is performed at each year-end. An impairment test is performed at least once a year in respect of goodwill and trademarks.

An asset's recoverable amount corresponds to the greater of its value in use and its fair value net of costs of disposal.

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. For ARKEMA, the CGUs are the business units presented in note B14. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next 5 years or, when the asset is to be sold, by comparison with its market value. In 2011, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2010). An after-tax rate of 8% is used to discount future cash flows and the terminal value in 2011 (7.5% in 2010). 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 2011 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 2011.

7. Financial assets and liabilities

Financial assets and liabilities principally comprise:

- other investments;
- loans and financial receivables included in other non-current assets;
- accounts receivable;
- cash and cash equivalents;
- debt and other financial liabilities (including accounts payable);
- derivatives, reported as part of other current assets and liabilities.

7.1 OTHER INVESTMENTS

These securities are accounted for, in accordance with IAS 39, as available-for-sale assets and are thus recognized at their fair value. In cases where fair value cannot be reliably determined, the securities are recognized at their historical cost. Changes in fair value are recognized directly through shareholders' equity.

If an objective indicator of impairment in the value of a financial asset is identified, an irreversible impairment loss is recognized, in general through recurring operating income. Such impairment is only reversed via income at the date of disposal of the securities.

7.2 LOANS AND FINANCIAL RECEIVABLES

These financial assets are recognized at amortized cost. They are subject to impairment tests involving a comparison of their carrying amount to the present value of estimated recoverable future cash flows. These tests are carried out as soon as any indicator inferring that the present value of these assets is lower than their carrying amount is identified. As a minimum such tests are performed at each balance sheet date. Any impairment loss is recognized in recurring operating income.

7.3 ACCOUNTS RECEIVABLE

Accounts receivable are initially recognized at their fair value. Subsequent to initial recognition, they are recognized at amortized cost. If required, a bad debt provision is recognized on the basis of the risk of non-recovery of the receivables.

7.4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are liquid assets and assets which can be converted into cash within less than 3 months that are subject to a negligible risk of change in value.

7.5 NON-CURRENT AND CURRENT DEBT (INCLUDING ACCOUNTS PAYABLE)

Non-current and current debt (other than derivatives) is recognized at amortized cost.

7.6 DERIVATIVES

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the "Level 2" category defined in IFRS 7.

Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.

For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expense recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating income.

A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expense recognized directly through equity" caption.

8. Inventories

Inventories are valued in the consolidated financial statements at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost of inventories is generally determined using the weighted average cost (WAC) method.

Cost of manufactured products inventories includes raw material and direct labour costs, and an allocation of production overheads and depreciation based on normal production capacity. Start-up costs and general and administrative costs are excluded from the cost of manufactured products inventories.

The net realisable value is the sale price as estimated for the normal course of business, less estimated costs for completion and sale.

9. Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party; 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 C21 Liabilities and contingent liabilities).

When it is expected that the Group will obtain partial or total reimbursement of the cost that was provided against, the expected reimbursement is recognized in receivables if, and only if, the Group is virtually certain of the receipt.

Legal expenses required for defence of the Group's interests are covered by a provision when significant.

Long-term provisions, other than provisions for pensions and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

The current (less than one year) portion of provisions is maintained within the "Provisions and other non-current liabilities" caption.

10. Pension and similar post-employment benefit obligations

In accordance with IAS 19 "Employee benefits":

- payments made in the context of defined contribution plans are recognized in expenses of the period;
- obligations in respect of defined benefit plans are recognized and valued using the actuarial projected unit credit method.

POST-EMPLOYMENT BENEFITS

For defined benefit plans, the valuation of obligations under the projected unit credit method principally takes into account:

- an assumption concerning the date of retirement;
- a discount rate which depends on the geographical region and the duration of the obligations;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs;
- the most recent mortality statistics for the countries concerned.

Differences which arise between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) and between forecasts and outcomes of returns on plan assets are termed actuarial gains and losses.

The Group has opted to recognize actuarial gains and losses directly in shareholders' equity under the "Income and expense recognized directly through equity" caption, in accordance with the amendment to IAS 19 of December 2004.

On modification or creation of a plan, the portion of obligations which vest immediately as a result of past service is charged immediately to income; the portion of obligations which do not vest immediately is amortized over the remaining vesting period.

The amount of the provision takes account of the value of assets which are allocated to cover pension and other post-employment benefit obligations. The value of these assets is deducted from the provision for such benefit obligations.

A pension asset can be generated where a defined benefit plan is overfunded. The amount at which such an asset is recognized in the balance sheet may be subject to a ceiling, in application of paragraph 58 of IAS 19 and IFRIC 14.

OTHER LONG-TERM BENEFITS

In respect of other long-term benefits, and in accordance with applicable laws and regulations, provisions are recognized using a simplified method. Thus, if an actuarial valuation using the projected unit cost method is required, actuarial gains and losses and all past service costs are recognized immediately in the provision, with a double entry being recognized to the income statement.

The net expense related to pension benefit obligations and other employee benefit obligations is recognized in recurring operating income, with the exception of:

- the effect of curtailments or settlements of plans which are presented under the "Other income and expenses" caption in the case of substantial modifications to such plans;
- the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits, which are classified within the financial result caption.

11. Greenhouse gas emissions allowances (EUA) and certified emission reductions (CER)

In the absence of an IFRS standard or interpretation relating to accounting for CO_2 emissions allowances, the following treatment has been adopted:

- allowances allocated without payment of consideration are recognized for a nil value;
- transactions carried out in the market are recognized at the transaction amount.

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories, and sales are recorded at their net-of-tax value on delivery of the CERs.

12. Recognition of sales

Sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales are recognized on transfer to the purchaser of the risks and rewards related to ownership of the goods, which is determined mainly on the basis of the terms and conditions of the sales contracts.

13. Income taxes

13.1 CURRENT TAXES

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.

The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by ARKEMA S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

The French Finance Act for 2010 introduced the local tax named CET (*Contribution Économique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). After analysing the methods for determining this contribution in the light of the positions of the IFRIC and France's Accounting Standards Authority ANC (*Autorité des Normes Comptables*) in late 2009, the Group considered that in this specific case, the contribution meets the requirements to be treated as a current tax under IAS 12. The CVAE is therefore classified under "income taxes" from 1 January 2010.

13.2 DEFERRED TAXES

The Group uses the liability method whereby deferred taxes are recognized based upon the temporary differences between the financial statement and tax basis of assets and liabilities, as well as on tax loss carry forwards and other tax credits, in accordance with IAS 12 "Income taxes".

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the year in which the asset will be realized or the liability settled, on the basis of tax rates (and tax legislation) that have been enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period, unless it relates to items that were previously debited or credited through equity. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognized to the extent that their recovery is probable. In order to assess the likelihood of recovery of such assets, account is notably taken of the profitability outlook determined by the Group and historical taxable profits or losses.

A deferred tax liability is recognized for all taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless:

- the Group controls the timing of the reversal of the temporary difference, and
- it is probable that this difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if a legally enforceable right to offset current tax assets and liabilities exists and if they relate to income taxes levied by the same tax authority.

As the contribution based on companies' value added CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) is considered as a component of income taxes, the relevant calculation methods generate temporary differences for which a deferred tax liability of 1.5% of the value is recorded.

14. Information by segment

As required by IFRS8, "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.

Since assets held for sale, the associated liabilities and the income from discontinued operations in the Vinyl Products segment are now reported under "Assets held for sale" and "discontinued operations", in compliance with IFRS 5, ARKEMA now has two business segments: Industrial Chemicals and Performance Products. The Jarrie and Saint-Auban activities to be retained by the Group are included in the Industrial Chemicals segment. 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.

- Industrial Chemicals brings together the following business units: Acrylics, Specialty Acrylic Polymers, Coatings Resins, Photocure Resins, PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide.

  Industrial Chemicals products are used in numerous industrial sectors such as ink and paint, healthcare and hygiene, the environment, refrigeration, oil and gas, production of paper pulp, animal feed, 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, oil extraction to renewable energies (photovoltaics, lithium-ion batteries), cosmetics to medical equipment, construction to household electrical goods and water treatment.

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.

15. Cash flow statements

Cash flows in foreign currencies are translated into euros using the average exchange rates of each period. Cash flow statements exclude foreign exchange differences arising from the translation into euros of assets and liabilities recognized in balance sheets denominated in foreign currencies at the end of the period (except for cash and cash equivalents). In consequence, cash flows cannot be recalculated on the basis of the amounts shown in the balance sheet.

16. Share-based payments

In application of IFRS2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that granted the stock options and free shares.

The fair value of the options is calculated using the Black & Scholes model, adjusted, in the case of plans awarded from 2011, for an illiquidity cost due to the non-transferability of instruments; the expense is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.

The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors' meeting that decides on the grant, adjusted for dividends not received during the vesting period and, in the case of plans awarded from 2011, for an illiquidity cost related to the period of non-transferability. The expense recognized also reflects the probability that the presence condition will be fulfilled. This expense is included in personnel expenses on a straight-line basis over the vesting period of the rights.

17. Earnings per share

Earnings per share corresponds to the division of net income (Group share) by the weighted average number of ordinary shares in circulation since the start of the year.

Diluted earnings per share corresponds to the division of net income (Group share) by the weighted number of ordinary shares, both of these figures being adjusted to take account of the effects of all dilutive potential ordinary shares.

The effect of dilution is thus calculated taking account of stock options and grants of free shares to be issued.

18. Discontinued operations and assets held for sale

A discontinued operation is defined, according to IFRS 5, as a component of the Group's activity that either has been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations that forms part of a single coordinated disposal plan.

In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations":

- assets held for sale and related liabilities are presented on two specific lines of the balance sheet, without offsetting;
- a single amount, comprising the total profit or loss after taxes of discontinued operations, is reported in the income statement for the current period and the previous period;
- the Group's cash flow statement reports flows related to discontinued operations separately, except for cash flows related to financing if they cannot be identified separately for sales of assets;
- no further depreciation or amortization is recorded on depreciable/amortizable assets once they are classified as held for sale.

Assets held for sale net of the associated liabilities are measured and recognized at the lower of net book value and market value less costs necessary to complete the sale. Any losses are charged to income from discontinued operations.

The income statement, cash flow statement and balance sheet items relating to discontinued operations are presented in a specific note to the financial statements for the current financial year, with comparatives for the previous year.

19. Main accounting and financial indicators

The main performance indicators used are as follows:

- **operating income:** this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;
- **other income and expenses:** these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets, acquisition costs, negative goodwill on acquisitions on favourable terms and the valuation difference on inventories between their fair value at the acquisition date and their production cost,
  - large restructuring and environmental expenses which would hamper the interpretation of recurring operating income (including substantial modifications to employee benefit plans and the effect of onerous contracts),
  - expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations;
- **recurring operating income:** this is calculated as the difference between operating income and other income and expenses as previously defined;
- **adjusted net income:** this corresponds to "Net income – Group share" adjusted for the "Group share" of the following items:
  - other income and expenses, after taking account of the tax impact of these items,
  - income and expenses from taxation of an exceptional nature, the amount of which is deemed significant,
  - net income of discontinued operations;
- **EBITDA:** this corresponds to recurring operating income increased by depreciation and amortization;
- **working capital:** this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses, income tax receivables and other current financial assets on the one hand and accounts payable, other creditors and accrued liabilities, income tax liabilities and other current financial liabilities on the other hand. These items are classified in current assets and liabilities in the consolidated balance sheet;

- **capital employed:** this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **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 of continuing operations are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

31 December 2011 *(In millions of euros)*	Industrial Chemicals	Performance Products	Corporate	Total
Non-Group sales	**3,928**	**1,952**	**20**	**5,900**
Inter segment sales	154	17	-	
Total sales	**4,082**	**1,969**	**20**	
Recurring operating income	**560**	**240**	**(38)**	**762**
Other income and expenses	(80)	33	2	(45)
Operating income	**480**	**273**	**(36)**	**717**
Equity in income of affiliates	-	1	16	17
Details of certain significant non-cash expenses by segment:				
Depreciation and amortization	(172)	(99)	(1)	(272)
Asset impairment charges	(14)	-	-	(14)
Provisions	11	-	17	28
EBITDA	**732**	**339**	**(37)**	**1,034**
Employees at year end	**8,167**	**4,770**	**-**	**12,937**
Intangible assets and property, plant and equipment, net	1,725	708	50	2,483
Investments in equity affiliates	-	7	59	66
Non-current assets (excluding deferred tax assets)	41	22	81	144
Working capital	627	361	(28)	960
Capital employed	**2,393**	**1,098**	**162**	**3,653**
Provisions	(355)	(201)	(194)	(750)
Deferred tax assets	-	-	66	66
Deferred tax liabilities	-	-	(35)	(35)
Net debt	-	-	603	603
Intangible assets and property, plant, and equipment additions	246	100	19	365
Of which additions of an exceptional nature	54	-	-	54

31 December 2010 *(In millions of euros)*	Industrial Chemicals	Performance Products	Corporate	Total
Non-Group sales	**3,171**	**1,680**	**18**	**4,869**
Inter segment sales	140	16	-	
Total sales	**3,311**	**1,696**	**18**	
Recurring operating income	**417**	**167**	**(22)**	**562**
Other income and expenses	(21)	18	(6)	(9)
Operating income	**396**	**185**	**(28)**	**553**
Equity in income of affiliates	-	1	14	15
Details of certain significant non-cash expenses by segment:				
Depreciation and amortization	(154)	(93)	-	(247)
Asset impairment charges	9	4	(1)	12
Provisions	6	12	18	36
EBITDA	**571**	**260**	**(22)**	**809**
Employees at year end	**6,382**	**4,572**	**-**	**10,954**
Intangible assets and property, plant and equipment, net	1,265	654	26	1,945
Investments in equity affiliates	-	6	49	55
Non-current assets (excluding deferred tax assets)	19	26	79	124
Working capital	425	297	(57)	665
Capital employed	**1,709**	**983**	**97**	**2,789**
Provisions	(329)	(186)	(190)	(705)
Deferred tax assets	-	-	27	27
Deferred tax liabilities	-	-	(52)	(52)
Net debt	-	-	85	85
Intangible assets and property, plant, and equipment additions	151	109	5	265
Of which additions of an exceptional nature	19	3	-	22

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 2011 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	614	1,797	1,956	1,290	243	5,900
Capital employed	1,726	352	1,116	439	20	3,653
Intangible assets and property, plant, and equipment additions	171	35	104	55	-	365
Employees at year end	6,668	1,840	2,768	1,423	238	12,937

31 December 2010 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	562	1,427	1,714	970	196	4,869
Capital employed	1,421	204	836	322	6	2,789
Intangible assets and property, plant, and equipment additions	140	19	55	51	-	265
Employees at year end	6,271	1,215	2,356	1,006	106	10,954

(1) NAFTA: USA, Canada, Mexico.

NOTE 3 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are reported net of subsidies: they include salaries, purchases, sub-contracting costs, depreciation and amortization.

NOTE 4 OTHER INCOME AND EXPENSES

	2011			2010		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(24)	3	(21)	(44)	6	(38)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	(13)	-	(13)	(3)	20	17
Litigation and claims	(15)	14	(1)	(4)	4	0
Gains (losses) on sales and purchases of assets	(47)	37	(10)	(5)	1	(4)
Other	-	-	-	(1)	17	16
TOTAL OTHER INCOME AND EXPENSES	**(99)**	**54**	**(45)**	**(57)**	**48**	**(9)**

Restructuring charges and asset impairment charges in 2011 mainly concern the Industrial Chemicals segment's assets.

Gains (losses) on sales and purchases of assets generated a net expense of €10 million, chiefly relating to:

- acquisition of Total's photocure and coatings resins (expenses and the inventory value differential between acquisition and production cost amount to €42 million);
- the gain on sale of unconsolidated securities.

In 2010, restructuring charges included adaptation of the Jarrie site under the Plan for Prevention of Technological Risks and costs incurred for moving ARKEMA's headquarters in the USA.

Most of the impairment recovered on property, plant and equipment concerns Industrial Chemicals assets.

Gains (losses) on sales and purchases of assets amounted to €4 million and relate to:

- acquisition of some of the activities of The Dow Chemical Company in the US (negative goodwill amounted to €10 million, expenses and the difference between the fair value of inventories at the acquisition date and their production cost amounted to €12 million);
- the plan to acquire Total's photocure and coatings resins (acquisition expenses incurred in 2010 amounted to €3 million).

Other income in 2010 essentially comprised changes to pension plans in the Netherlands (see note C20.3 Provisions for pensions and similar benefits).

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)	2011	2010
Cost of debt	(31)	(11)
Financial income/expenses on provisions for employee benefits	(9)	(15)
Foreign exchange gains and losses (spot/forward exchange rate difference)	1	-
Capitalised interest	2	1
Other	-	-
FINANCIAL RESULT	**(37)**	**(25)**

The average interest rate for the year on debt was approximately 3.5% (2.5% for 2010).

NOTE 6 ADJUSTED NET INCOME

Net income- Group share may be reconciled to adjusted net income as follows:

(In millions of euros)	Notes	2011	2010
NET INCOME - GROUP SHARE		**(19)**	**347**
Other income and expenses	(C4)	45	9
Taxes on other income and expenses		(17)	(3)
Non-current taxation		(22)*	-
Net income of discontinued operations	(C9)	587	78
ADJUSTED NET INCOME OF CONTINUING OPERATIONS		**574**	**431**

* *The amount of deferred tax assets recognised in France.*

NOTE 7 INCOME TAXES

7.1 Income tax expense

The income tax expense is broken down as follows:

(In millions of euros)	2011	2010
Current income taxes	(161)	(128)
Deferred income taxes	36	13
TOTAL INCOME TAXES	**(125)**	**(115)**

The income tax expense amounts to €125 million for 2011 including €10 million for the CVAE (loss of €12 million in current taxes and income of €2 million in deferred taxes), compared with €115 million for 2010 including €9 million for the CVAE (see note B13 "Income taxes").

The income tax expense represents 16% of recurring operating income. This rate can be explained mainly by tax loss carryforwards and by the recognition of deferred tax liabilities, principally in France (€22 million).

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)	31/12/2010	Changes in scope	Changes recognized in shareholders' equity	Changes recognized in the income statement	Translation adjustments	Assets held for sale	31/12/2011
Tax loss and tax credit carryforwards	7	-	-	3	-	-	10
Provisions for pensions and similar benefits	96	2	12	7	3	(8)	112
Other temporarily non-deductible provisions	212	3	3	195	3	(188)	228
Deferred tax assets	**315**	**5**	**15**	**205**	**6**	**(196)**	**350**
Valuation allowance on deferred tax assets	**(79)**	**2**	**(2)**	**(133)**	**-**	**168**	**(44)**
Excess tax over book depreciation	167	1	-	31	4	(19)	184
Other temporary tax deductions	92	8	(7)	5	-	(7)	91
Deferred tax liabilities	**259**	**9**	**(7)**	**36**	**4**	**(26)**	**275**
NET DEFERRED TAX ASSETS (LIABILITIES)	**(23)**	**(2)**	**20**	**36**	**2**	**(2)**	**31**

Other temporarily non-deductible provisions and valuation allowances on deferred tax assets include the expense described in note C9 Discontinued operations and assets held for sale.

After offsetting assets and liabilities at fiscal entity level, deferred taxes are presented as follows in the balance sheet:

(In millions of euros)	31/12/2011	31/12/2010
Deferred tax assets	66	29
Deferred tax liabilities	35	52
NET DEFERRED TAX ASSETS (LIABILITIES)	**31**	**(23)**

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)	31/12/2011	31/12/2010
Income taxes of continuing operations	572	428
Income taxes	(125)	(115)
Pre-tax income of continuing operations	697	543
French corporate tax rate	34.43%	34.43%
Theoretical tax expense	(240)	(187)
Difference between French and foreign income tax rates	6	7
Tax effect of equity in income of affiliates	6	5
Permanent differences	16	(16)
Change in valuation allowance against deferred tax assets	28	25
Deferred tax assets not recognized (losses)	59	51
INCOME TAX EXPENSE	**(125)**	**(115)**

The French corporate tax rate includes the standard tax rate (33.33%) and additional taxes applicable before 2010 and 2011. In view of the Group's tax position in France, the additional 5% contribution temporarily applicable for 2011 and 2012 has not been included in calculating the overall income tax rate, which therefore stands at 34.43%.

The net impact of the CVAE is included in permanent differences.

7.4 Expiry of tax loss carryforwards and tax credits

The Group's unrecognised tax loss carryforwards and tax credits can be used up to their year of expiry, indicated in the table below:

	31/12/2011		31/12/2010	
(In millions of euros)	Base	Income taxes	Base	Income taxes
2011	-	-	-	-
2012	-	-	-	-
2013	7	2	-	-
2014	7	2	1	-
2015	1	-	1	1
2016 and beyond	7	2	23	7
Tax losses that can be carried forward indefinitely	874	297	942	324
TOTAL	**896**	**303**	**967**	**332**
Carry back deductible	-	-	-	-

NOTE 8 BUSINESS COMBINATIONS

On 1 July 2011, ARKEMA completed its acquisition of two of Total's specialty chemicals businesses for an enterprise value of €550 million: coatings resins (Cray Valley and Cook Composites and Polymers), and photocure resins (Sartomer).

On 31 December 2011, ARKEMA completed acquisition of the chemical company Seppic's specialty alkoxylates business for industrial markets.

See A Highlights.

In compliance with IFRS 3 (revised), the Group used the acquisition method for the accounting treatment of these operations.

The fair values of identifiable assets acquired and liabilities transferred at the acquisition date are as follows:

(In millions of euros)	Fair value of Total resins businesses acquired	Fair value of Seppic alkoxylates businesses acquired
Intangible assets	52	14
Property, plant and equipment	149	13
Deferred tax asset	3	0
Other non-current assets	3	0
TOTAL NON-CURRENT ASSETS	**207**	**27**
Inventories	185	11
Accounts receivable	76	11
Cash and cash equivalents	30	9
Other current assets	17	1
TOTAL CURRENT ASSETS	**308**	**32**
TOTAL ASSETS	**515**	**59**
Deferred tax liabilities	2	3
Provisions and other non-current liabilities	18	0
Non-current debt	30	0
TOTAL NON-CURRENT LIABILITIES	**50**	**3**
Accounts payable	52	7
Other current liabilities	22	4
TOTAL CURRENT LIABILITIES	**74**	**11**
TOTAL LIABILITIES	**124**	**14**
Fair value of net assets	**391**	**45**
Goodwill	**141**	**32**

Recognition of these operations will be finalized within 12 months of the acquisition date.

Goodwill results mainly from expected development synergies and the businesses potential for growth.

Expenses incurred for all these operations were recorded in expenses for a total €15 million (see note C4 "Other income and expenses").

If the acquisition of Total's resins businesses had taken place at 1 January 2011, it would have generated additional sales of approximately €440 million.

Since Total's resins businesses are incorporated into the Group's existing activities and are therefore subject to a set of shared expenses, the net proceeds on the acquisition cannot be separately identified.

NOTE 9 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

9.1 Income statement

The consolidated income statement for the vinyls activity is as follows:

(In millions of euros)	2011	2010
Sales	**1,090**	**1,036**
Recurring operating income	**(66)**	**(59)**
Other income and expenses	(423)	(8)
Operating income	**(489)**	**(67)**
Financial result	(91)	(3)
Income taxes	(7)	(8)
Net income of discontinued operations	**(587)**	**(78)**
Of which: non-controlling interests	-	-
Net income - Group share	**(587)**	**(78)**
Depreciation and amortization	(42)	(40)
EBITDA*	(24)	(19)

* *See note B19 "Accounting policies / Main accounting and financial indicators".*

The divestment project for the Vinyl Products segment results in a non-recurring expense of €505 million, comprising:

- €415 million in other income and expenses;
- €88 million in financial result;
- €2 million in income taxes.

This non-deductible expense in 2011 will generate additional tax losses for ARKEMA in 2012, that can be carried forward indefinitely.

9.2 Balance sheet

The balance sheet items classified as assets held for sale are the following:

(In millions of euros)	31/12/2011
Non-current assets	1
Current assets	379
Assets held for sale	**380**
Non-current liabilities	215
Current liabilities	238
Liabilities associated with assets held for sale	**453**

In application of IFRS 5, impairment losses of €264 million has been recorded to adjust the value of non-current assets to market value less the cost of sales.

A provision of €151 million was also recorded to reflect contractual commitments related to the ongoing sale of the Vinyl Products segment assets.

9.3 Cash flow statement

(In millions of euros)	2011	2010
Net income	(587)	(78)
Depreciation, amortization and impairment of assets	305	41
Provisions, valuation allowances and deferred taxes	151	1
(Gains)/losses on sales of assets	(2)	-
Change in working capital	(20)	28
Cash flow from operating activities	**(153)**	**(8)**
Cash flow from net investments	**(55)**	**(32)**

NOTE 10 EARNINGS PER SHARE

Earnings per share and diluted earnings per share are presented below:

	2011	2010
Weighted average number of ordinary shares	61,629,841	61,032,084
Dilutive effect of stock options	550,263	93,560
Dilutive effect of free share grants	110,205	33,424
Weighted average number of potential ordinary shares	62,290,309	61,159,068

Earnings per share is determined below:

	2011	2010
Earnings per share *(€)*	(0.31)	5.69
Diluted earnings per share *(€)*	(0.31)	5.67
Earnings per share of continuing operations *(€)*	9.22	6.96
Diluted earnings per share of continuing operations *(€)*	9.12	6.95
Earnings per share of discontinued operations *(€)*	(9.53)	(1.27)
Diluted earnings per share of discontinued operations *(€)*	(9.43)	(1.28)
Adjusted net income per share *(€)*	8.11	5.93
Diluted adjusted net income per share *(€)*	8.03	5.92
Adjusted net income per share of continuing operations *(€)*	9.31	7.06
Diluted adjusted net income per share of continuing operations *(€)*	9.21	7.05

In 2011, all outstanding stock option plans had a dilutive effect, except for the plans awarded in 2011 which were ultimately non-dilutive.

NOTE 11 INTANGIBLE ASSETS

(In millions of euros)	31/12/2011			31/12/2010
	Gross book value	Accumulated amortisation and impairment	Net book value	Net book value
Goodwill	898	(431)	467	282
Other intangible assets	735	(425)	310	212
TOTAL	**1,633**	**(856)**	**777**	**494**

Changes in the net book value of intangible assets are as follows:

(In millions of euros)	2011	2010
Net book value		
At 1 January	**494**	**481**
Acquisitions	43	29
Amortisation and impairment	(24)	(25)
Disposals	0	(1)
Changes in scope	238	-
Translation adjustments	17	9
Reclassifications	12	1
Assets held for sale*	(3)	-
At 31 December	**777**	**494**

* *See note C9 "Discontinued operations and assets held for sale".*

ARKEMA has acquired Total's resins activities and Seppic's specialty alkoxylates business for industrial markets, giving rise to recognition of provision goodwill of €173 million (see note C8 "Business combinations").

The Group did not recognize any impairment in respect of its intangible assets in 2011.

NOTE 12 PROPERTY, PLANT & EQUIPMENT

(In millions of euros)	31/12/2011 Gross book value	31/12/2011 Accumulated depreciation and impairment	31/12/2011 Net book value	31/12/2010 Net book value
Land and buildings	1,281	(826)	455	408
Complex industrial facilities	2,821	(2,255)	566	554
Other property, plant and equipment	1,678	(1,234)	444	513
Construction in progress	242	(1)	241	228
TOTAL	**6,022**	**(4,316)**	**1,706**	**1,703**

Changes in the net book value of property, plant and equipment are as follows:

(In millions of euros)	2011	2010
Net book value		
At 1 January	**1,703**	**1,608**
Acquisitions	381	286
Depreciation and impairment	(304)	(252)
Disposals	(5)	(4)
Changes in scope	162	-
Translation adjustments	40	56
Reclassifications	(10)	9
Assets held for sale	(261)	-
At 31 December	**1,706**	**1,703**

* *See note C9 "Discontinued operations and assets held for sale".*

At 31 December 2011, other property, plant and equipment mainly comprises machinery and tools with a gross value of €1,681 million and accumulated depreciation and provisions for impairment of €1,269 million.

ARKEMA recorded impairment losses of €26 million on assets.

At 31 December 2010, other property, plant and equipment mainly comprised machinery and tools with a gross value of €1,561 million and accumulated depreciation and provisions for impairment of €1,203 million.

ARKEMA recorded impairment losses of €13 million on assets, principally relating to restructuring plans. A net amount of €20 million was also reversed from impairment losses recognised on Industrial Chemicals assets.

The figures above include the following amounts in respect of assets held under finance lease arrangements:

(In millions of euros)	31/12/2011 Gross value	31/12/2011 Depreciation and impairment	31/12/2011 Net	31/12/2010 Gross value	31/12/2010 Depreciation and impairment	31/12/2010 Net
Complex industrial facilities and buildings:	17	7	10	31	20	11

They mainly correspond to leases, a hydrogen production unit located at Lacq and a production unit at Carling.

The lease contract for VCM transport barges was reclassified as assets held for sale in 2011.

NOTE 13 EQUITY AFFILIATES

(In millions of euros)	% ownership		Equity value		Equity in income (loss)		Sales	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Qatar Vinyl Company Ltd Q.S.C.	13%	13%	58	48	16	14	52	44
Arkema Yoshitomi Ltd	49%	49%	7	6	1	1	10	9
Meglas	33%	33%	1	1	0	0	3	2
Investments			**66**	**55**	**17**	**15**	**-**	**-**
Loans			**-**	**-**	**-**	**-**	**-**	**-**
TOTAL			**66**	**55**	**17**	**15**	**65**	**55**

NOTE 14 OTHER INVESTMENTS

Other investments include the Group's investments in various listed and non-listed companies, which are stated at historical cost.

The main movements in 2010 and 2011 are as follows:

(In millions of euros)	2011	2010
At 1 January	**38**	**21**
Acquisitions	12	17
Disposals	(15)	(6)
(Increases)/Reversals of impairment	0	6
Changes in scope	-	-
Translation adjustments	-	-
Other changes	-	-
At 31 December	**35**	**38**

In 2011, ARKEMA acquired a 19.9% investment in Canada Fluorspar Inc. for CAD 15.5 million (see A Highlights), and sold its investment in Soficar.

NOTE 15 OTHER NON-CURRENT ASSETS

(In millions of euros)	31/12/2011			31/12/2010		
	Gross value	Impairment	Net	Gross value	Impairment	Net
Loans and advances	105	(9)	96	87	(9)	78
Security deposits paid	13	-	13	11	-	11
TOTAL	**118**	**(9)**	**109**	**98**	**(9)**	**89**

Loans and advances include amounts receivable from the French tax authorities in respect of the research tax credit. Loans and advances also include €39 million of receivables on Total related to the remediation costs in respect of closed industrial sites in the United States (see note C20.4 Provisions and other non-current liabilities/Provisions for environmental contingencies).

NOTE 16 INVENTORIES

(In millions of euros)	31/12/2011	31/12/2010
INVENTORIES (COST)	**1,015**	**942**
Valuation allowance	(70)	(78)
INVENTORIES (NET)	**945**	**864**
Of which:		
Raw materials and supplies	*260*	*260*
Finished products	*685*	*604*

The net value of inventories reclassified as assets held for sale at 31 December 2011 is €142 million (see note C9 "Discontinued operations and assets held for sale").

NOTE 17 ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND PREPAID EXPENSES

At 31 December 2011, accounts receivable are stated net of a bad debt provision of €22 million (€32 million at 31December 2010).

Other receivables and prepaid expenses notably include receivables from governments in an amount of €75 million (€80 million at 31 December 2010), including €68 million of VAT.

The net value of accounts receivable and other receivables reclassified as assets held for sale at 31 December 2011 is €235 million (see note C9 "Discontinued operations and assets held for sale").

Details of accounts receivable net of valuation allowances are presented in note C23.4 "Credit risk".

NOTE 18 CASH AND CASH EQUIVALENTS

(In millions of euros)	31/12/2011	31/12/2010
Short-term cash advances	6	5
Monetary mutual funds	99	464
Available cash	147	58
CASH AND CASH EQUIVALENTS	**252**	**527**

NOTE 19 SHAREHOLDERS' EQUITY

At 1 January 2010, the share capital amounted to €605 million and was composed of 60,454,973 shares with a nominal value of 10 euros.

On 15 April 2010, the Group carried out a capital increase reserved to Group employees: 824,424 shares were subscribed at a price of €20.63 per share, with the price having been set by the Board of Directors in its meeting of 3 March 2010.

During 2010, the Company bought back 178,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 42,127 shares to employees.

The shareholders' general meeting of 1 June 2010 adopted a resolution proposing to distribute a dividend of €0.60 per share, or a total amount of €37 million, in respect of the 2009 financial year.

On 31 December 2010, ARKEMA carried out a capital increase of €2.1 million after 214,397 stock options were exercised.

At 31 December 2010, Arkema S.A.'s share capital amounted to €615 million, divided into 61,493,794 shares including 136,280 treasury shares.

During 2011, the Company bought back 210,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 132,200 shares to employees. The company held 214,080 treasury shares at 31 December 2011.

The company carried out two capital increases totalling €4 million in 2011 following the exercise of 370,783 stock options. This increased Arkema S.A.'s share capital to €619 million divided into 61,864,577 shares.

The shareholders' general meeting of 24 May 2011 adopted a resolution proposing to distribute a dividend of €1 per share, or a total amount of €61 million, in respect of the 2010 financial year.

For 2011, the Board of Directors decided, after approving the 2011 financial statements, to propose a resolution to the shareholders' general meeting of 23 May 2012 under which a dividend representing €1.30 per share would be distributed in respect of the 2011 financial year.

NOTE 20 PROVISIONS AND OTHER NON-CURRENT LIABILITIES

20.1 Other non-current liabilities

Other non-current liabilities amount to €41 million at 31 December 2011 as against €36 million at 31 December 2010.

20.2 Provisions

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 1 January 2011	**352**	**198**	**100**	**121**	**771**
Increases in provisions	26	10	14	52	102
Reversals from provisions on use	(25)	(12)	(38)	(22)	(97)
Reversals of unused provisions	(8)	(6)	(2)	(19)	(35)
Changes in scope	11	4	0	3	18
Translation adjustments	5	3	0	2	10
Other (1)	28	1	0	13	42
Liabilities associated with assets held for sale (2)	**(34)**	**(9)**	**(2)**	**(16)**	**(61)**
At 31 December 2011	**355**	**189**	**72**	**134**	**750**
Of which less than one year		*26*	*32*	*33*	
Of which more than one year		*163*	*40*	*101*	

(1) "Other" includes actuarial gains and losses for the period.
(2) See note C9 "Discontinued operations and assets held for sale".

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at 31 December 2011	**355**	**189**	**72**	**134**	**750**
Portion of provisions covered by receivables or deposits	**-**	**39**	**-**	**1**	**40**
Deferred tax asset related to amounts covered by the Total indemnity	-	23	-	-	23
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 31 December 2011 net of non-current assets	**354**	**127**	**72**	**133**	**686**

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 1 January 2010	**337**	**197**	**111**	**111**	**756**
Increases in provisions	41	10	37	38	126
Reversals from provisions on use	(31)	(15)	(51)	(19)	(116)
Reversals of unused provisions	(18)	-	(1)	(8)	(27)
Changes in scope	1	-	-	-	1
Translation adjustments	6	6	-	3	15
Other*	16	-	4	(4)	16
Liabilities associated with assets held for sale	-	-	-	-	-
At 31 December 2010	**352**	**198**	**100**	**121**	**771**
Of which less than one year		*25*	*36*	*31*	
Of which more than year		*173*	*64*	*90*	

* *"Other" includes actuarial gains and losses for the period.*

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 2010	**352**	**198**	**100**	**121**	**771**
Portion of provisions covered by receivables or deposits	**-**	**40**	**-**	**4**	**44**
Deferred tax asset related to amounts covered by the Total indemnity	-	22	-	3	25
Net pension assets	**0**	**-**	**-**	**-**	**0**
Provisions at 31 December 2010 net of non-current assets	**352**	**136**	**100**	**114**	**702**

20.3 Provisions for pensions and similar benefits

At 31 December 2011, provisions for pensions and similar benefits are comprised of pension benefit obligations for €262 million (€239 million at 31 December 2010), healthcare plans for €56 million (€56 million at 31 December 2010), long-service awards for €33 million (€47 million at 31 December 2010) and Group pre-retirement plans for €4 million (€10 million at 31 December 2010).

Certain defined-benefit plans in the Netherlands were overfunded at 31 December 2011, but no net asset can be recognised due to the limits imposed by the regulations contained in IAS 19.58 and IFRIC 14. The current overfunding on these Dutch plans is not expected to be reimbursed to the Company nor set against future contributions.

In accordance with the laws and practices of each country, ARKEMA participates in employee benefit plans offering retirement, death and disability, healthcare and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the national bodies responsible for the payment of benefits.

These plans are either defined contribution plans or defined benefit plans. In certain cases they can be either partly or totally funded by investments in dedicated plan assets, mutual funds, general funds of insurance companies or other assets.

The Group's benefit obligations are mainly located in France, the United States, the Netherlands and Germany. The principal benefit obligations in respect of which funding has been put in place are pension benefits in France, the United States, the Netherlands and the United Kingdom. In France, supplementary pension plans closed up to 1973 at the latest, concerning an active working population, were subject to a transfer of pension rights to an insurance company.

The amounts relating to Group pre-retirement plans are not included in the schedules presented in paragraphs 20.3.1, 20.3.2 and 20.3.3 below.

20.3.1. EXPENSE IN THE INCOME STATEMENT

	Pension obligations		Other obligations	
(In millions of euros)	**2011**	2010	**2011**	2010
Service cost	10	11	2	2
Interest cost	21	26	3	4
Expected return on plan assets	(14)	(18)	-	-
Actuarial gains and losses recognized	-	-	(5)	3
Past service cost recognized	1	(11)	(1)	(1)
Curtailments and settlements	1	(2)	-	-
Other	-	-	-	-
(INCOME)/EXPENSE: CONTINUING OPERATIONS	**19**	**6**	**(1)**	**8**
(INCOME)/EXPENSE: DISCONTINUED OPERATIONS	**1**	**1**	**(1)**	**2**

The actual return on plan assets is +€12 million in 2011 (+€27 million in 2010).

20.3.2. CHANGE IN NET PROVISIONS OVER THE PERIOD

	Pension obligations		Other obligations	
(In millions of euros)	**2011**	2010	**2011**	2010
Net liability/(asset) at beginning of year	**239**	**234**	**103**	**96**
Expense for the year	20	7	(2)	10
Contributions made to plan assets	(4)	(7)	-	-
Net benefits paid by the employer	(11)	(17)	(7)	(7)
Other	11	5	5	2
Actuarial gains and losses recognized in shareholders' equity	29	17	-	2
Net liability/(asset) held for sale*	(23)	-	(10)	-
Net liability/(asset) at end of year	**261**	**239**	**89**	**103**

* *See note C9 "Discontinued operations and assets held for sale".*

20.3.3. VALUATION OF BENEFIT OBLIGATIONS AND PROVISIONS AT 31 DECEMBER

a) Present value of benefit obligations

	Pension obligations		Other obligations	
(In millions of euros)	**2011**	**2010**	**2011**	**2010**
Present value of benefit obligations at beginning of year	**481**	**523**	**93**	**85**
Service cost	11	12	2	3
Interest cost	22	27	4	4
Curtailments	-	-	-	-
Settlements	(11)	(74)	-	-
Specific benefits	-	-	-	-
Plan participants' contributions	1	-	-	-
Benefits paid	(22)	(35)	(7)	(7)
Past service cost	-	(12)	-	-
Actuarial (gains) and losses	27	24	(6)	6
Changes in scope	20	-	4	1
Translation adjustment and other	10	16	-	1
Liabilities associated with assets held for sale*	(29)	-	(10)	-
Present value of benefit obligations at end of year	**510**	**481**	**80**	**93**

* *See note C9 "Discontinued operations and assets held for sale".*

b) Change in fair value of plan assets

Plan assets are mainly located in the United States, France, the Netherlands and the United Kingdom. They are mainly comprised of mutual funds, general funds of insurance companies and shares.

	Pension obligations	
(In millions of euros)	**2011**	**2010**
Fair value of plan assets at beginning of year	**(235)**	**(280)**
Expected return on plan assets	(14)	(18)
Curtailments	-	-
Settlements	11	72
Plan participants' contributions	(1)	-
Employer contributions	(4)	(7)
Benefits paid from plan assets	11	18
Actuarial (gains) and losses	2	(9)
Changes in scope	(13)	-
Translation adjustment and other	(6)	(11)
Liabilities associated with assets held for sale*	6	-
Fair value of plan assets at end of year	**(243)**	**(235)**

* *See note C9 "Discontinued operations and assets held for sale".*

The actuarial losses generated by the difference between the actual return on plan assets at 31 December 2011 and the expected return on plan assets amount to €2 million.

c) Provisions in the balance sheet

(In millions of euros)	Pension obligations 2011	Pension obligations 2010	Other obligations 2011	Other obligations 2010
Present value of unfunded obligations	153	165	80	93
Present value of funded obligations	357	316	-	-
Fair value of plan assets	(243)	(235)	-	-
(Surplus)/ Deficit of assets versus benefit obligations	**267**	**246**	**80**	**93**
Unrecognized actuarial (gains) and losses	-	-	-	-
Unrecognized past service cost	(7)	(9)	9	10
Asset ceiling	1	2	-	-
Net balance sheet provision	**261**	**239**	**89**	**103**
Provision recognized in liabilities	262	239	89	103
Amount recognized in assets	(1)	-	-	-

Changes in recent years in the obligation, the value of the plan assets and actuarial gains and losses are as follows:

(In millions of euros)	2011	2010	2009	2008
Obligations	590	574	608	600
Plan assets	(243)	(235)	(280)	(278)
Net obligations	**347**	**339**	**328**	**322**
Actuarial (gains)/ losses on accumulated rights				
- experience adjustments	11	(1)	(9)	(11)
- effects of changes in actuarial assumptions	12	32	30	(9)

d) Pre-tax amount recognized through equity (SORIE) during the valuation period

(In millions of euros)	Pension obligations 2011	Pension obligations 2010	Other obligations 2011	Other obligations 2010
Actuarial (gains) and losses generated in the period (A)	30	15	1	2
Effect of the surplus cap and the asset ceiling (B)	(1)	2	-	-
Total amount recognized in SORIE (A + B)	**29**	**17**	**1**	**2**
Cumulative actuarial (gains) and losses recognized in SORIE	**93**	**64**	**(27)**	**(28)**

e) Composition of the investment portfolio

	Pension obligations							
	At 31 December 2011				At 31 December 2010			
	France	UK	Rest of Europe	USA	France	UK	Rest of Europe	USA
Shares	-	57%	14%	57%	-	48%	22%	57%
Bonds	100%	38%	79%	23%	100%	44%	78%	23%
Monetary funds	-	1%	-	-	-	-	-	-
Property	-	4%	-	11%	-	7%	-	11%
Other	-	-	7%	9%	-	1%	-	9%

f) Actuarial assumptions

Main assumptions for pension benefit commitments and healthcare plan commitments:

	France	UK	Rest of Europe	USA	France	UK	Rest of Europe	USA
(In %)	2011	2011	2011	2011	2010	2010	2010	2010
Discount rate	4.35	5.00	4.35	4.85	4.50	5.20	4.50	5.25
Expected return on plan assets	3.39	5.97-6.54	4.35-4.60	6.17	3.39	6.37	4.90	7.29
Rate of increase in salaries	2.00-4.79	3.60	3.00	4.00	2.00 - 4.83	4.10	3.00	4,00
Rate of increase of healthcare costs	-	-	-	-	-	-	-	-

The discount rate is determined based on indexes covering bonds by AA-rated issuers, with maturities consistent with the duration of the above obligations.

The expected rate of return on plan assets was determined for each plan on the basis of the expected individual long-term return on each category of assets comprising the portfolio funding the plan and of the actual allocation at the valuation date.

The rate of increase of healthcare costs has a negligible impact in the United States as a ceiling has been applied since mid-2006. Since 2008 the impact has been limited to the rate of inflation in Europe during the period over which rights vest.

Main assumptions for long-service awards:

Main long-service awards assumptions *(In %)*	Europe 2011	Europe 2010
Discount rate	4.00-5.13	3.60-5.17
Rate of increase in salaries	1.80-3.50	1.80-3.75

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 *(In millions of euros)*	Europe 2011	USA 2011
Increase of 0.25%	(9)	(7)
Decrease of 0.25%	9	8

20.4 Provisions for environmental contingencies

Provisions for environmental contingencies are recognized to cover expenses related to soil and water table clean-up, mainly:

- in France for €85 million (€98 million at 31 December 2010);
- in the United States for €81 million (€78 million at 31 December 2010), of which €62 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 €39 million and €23 million recognized in deferred tax assets).

20.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €64 million (€85 million at 31 December 2010), in Europe outside France for €2 million (€6 million at 31 December 2010) and in the United States for €6 million (€8 million at 31 December 2010).

Increases in such provisions in the year correspond to the restructuring plans described in note C4 "Other income and expenses".

20.6 Other provisions

Other provisions mainly comprise provisions for removal of asbestos for €6 million (€10 million at 31 December 2010).

NOTE 21 LIABILITIES AND CONTINGENT LIABILITIES

21.1 Environment

ARKEMA's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of ARKEMA's liability being called upon, particularly in respect of clean-up of sites and industrial safety.

Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized, ARKEMA's management considers that the environmental liabilities identified at this point are valued and recognized to the best of their knowledge in the financial statements. However if laws, regulations or government policy in respect of environmental matters were to change, ARKEMA's obligations could change, which could lead to additional costs.

Clean-up of sites

The competent authorities have made, are making or may in the future make specific demands that the Group rehabilitate or control emissions at certain sites that it is currently operating, or that it operated or disposed of in the past, at neighbouring sites or at sites where the Group stored or disposed of waste.

Sites currently in operation

ARKEMA has many sites of which a certain number are probably polluted in view of their age and the range of activities that are carried out on them, or that were carried out on them in the past. As regards these sites, certain situations have been identified and ARKEMA has already carried out certain clean-up work, or otherwise developed action plans and recognized provisions in order to cover future clean-up work.

However, in the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown, (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. "pump and treat"), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be higher than the amounts covered by provisions cannot be excluded. These potential excess costs relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Lannemezan (France), Mont (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 before the Nanterre correctional court. Following the hearing of 13 January 2012, the court is expected to issue its decision on 9 March 2012. An administrative procedure was also initiated in 2009 concerning the Spinetta site (Italy - Arkema Srl).

Closed industrial sites (Former industrial sites)

Total directly or indirectly took over the closed industrial sites at the date of the Spin-Off of Arkema's Businesses.

21.2 Litigation, claims and proceedings in progress

21.2.1 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, the main terms of which are described in note C29 Off-balance sheet commitments.

Proceedings carried out by the European Commission

The appeal proceedings by Arkema France before the European Union's General Court following the European Commission's decisions in the heat stabilizers case are still pending.

In the first half of 2011, the European Union's General Court issued its decision in the sodium chlorate and methacrylates cases. In the former, the Court upheld the Commission's decision and in the latter, it reduced Arkema France's fine from €219.1 million to €113.3 million. Since the European Commission has not appealed, Arkema France has recognized its 10% share of the reimbursement as required by the Total Indemnity.

In the second half of 2011, the European Union's General Court issued its ruling in the hydrogen peroxide case, confirming the Commission's decision ordering Arkema France to pay the sum of €78.7 million, partly jointly and severally with Total S.A. and Elf Aquitaine.

In the "Monochloroacetic acid" proceeding, the Court of Justice of the European Union rejected Arkema France's appeal against the decision by the European Union General Court, upholding the Commission's decision of 2005 ordering Arkema to pay the sum of €58.5 million. The company is jointly and severally liable with Elf Aquitaine for part of this payment.

In addition, 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 had to purchase the rights to claim of a certain number of hydrogen peroxide customers in whose name it is thus now acting. This procedure is still pending.

In June 2011, a further claim was made against Arkema France before the Amsterdam court by an affiliate of CDC (CDC Project 13 S.A.), concerning sodium chlorate. These proceedings are identical to those initiated by CDC in Germany for hydrogen peroxide.

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 relevant jurisdictions after exercise of any recourse available, and so has not recognized any provisions in this respect.

Proceedings in the United States and 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. and Arkema France separately executed with the direct purchaser class in Hydrogen Peroxide and with the direct purchaser class of MMA/PMMA products.

In the plastics additives direct purchaser action, the court denied the plaintiffs' request for class certification. During the third quarter of 2011, Arkema Inc. reached a final settlement with the plaintiffs, and the case is now closed to appeal before the courts.

During the first quarter of 2010, Arkema Inc. reached a signed settlement agreement with the indirect purchasers of hydrogen peroxide from five American states which had initiated class action, in this case before the federal court, alleging violation of state competition laws. Under this agreement, which has now received court approval, Arkema Inc. will make no payments and will provide limited cooperation if the case proceeds to trial against other defendants. The class action in California by indirect purchasers of hydrogen peroxide was rejected in the first quarter of 2011. This decision is not open to appeal.

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. The trial court in Ontario has certified a class of direct and indirect purchasers. Arkema S.A., Arkema Inc. and Arkema Canada Inc.'s request for leave to appeal that decision was denied in June 2010. The plaintiffs and the defendants reached an agreement on 31 May 2011 to settle all of the pending Canadian actions for a payment of CAD100,000 and certain cooperation commitments, subject to conditions including the approval of the courts in all three jurisdictions in which the cases were pending. Two of those courts approved the settlement during the third quarter of 2011, and a hearing is scheduled before the third for the first quarter of 2012.

21.2.2 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.

21.2.3 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 2011.

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 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, early 2009 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. The court's decision issued in April 2011 rejected Total's principal claim while acknowledging that its own effluents should be exempt from the TGAP. Total has appealed this decision. 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 courts (*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 contested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. On 21 November 2011 the Lyon appeal court upheld the judgment of 24 June 2008 and fully rejected the appeals of all claimants. The provision previously recognized in the financial statements was reversed. In late January 2012 Arkema France was informed of 122 appeals, but in view of the known information on the matter no provision will be booked in the financial statements until a ruling has been made as to whether the appeals are admissible.

A large number of former employees of Arkema France who left the Company under the early retirement system for asbestos workers are parties to 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. In a ruling of 11 May 2010, the labour chamber of the Court of Cassation partly overturned the decisions by the Paris and Bordeaux appeal courts, judging that no compensation could be claimed for loss of revenue resulting from departure under the early retirement system. This judgement has since been confirmed several times. The court did however accept the existence for these employees of a prejudice of anxiety eligible for compensation.

For Arkema France, in the cases currently in process, the decisions issued in the courts of first instance contradict each other on the question of economic prejudice and the prejudice of anxiety. For example, in rulings of 23 February and 15 September 2011, the Martigues employee claims court took a contrary view to the labour chamber of the Court of Cassation and ordered Arkema France to compensate several former employees for economic prejudice; the same court also found against Arkema France on the question of the prejudice of anxiety. Arkema France has appealed these decisions. In a ruling of 2 December 2011 the Grenoble employee claims court took a similar view to Martigues, ordering Arkema France to compensate 46 employees for the prejudice associated with "upheaval in living conditions", which can be considered comparable to economic prejudice and the prejudice of anxiety. However on 28 September 2011, the Forbach employee claims court refused 14 former employees compensation for economic prejudice and the prejudice of anxiety. The rest of the rulings are expected in the next few months.

It is likely that other former employees of Arkema France who benefited from the asbestos-related early retirement system, or other employees who may have been exposed to asbestos, may themselves claim compensation before an employee claims court for the prejudice of anxiety or the economic prejudice. At 1 December 2011, 533 former employees had initiated action to seek damages for the prejudice of anxiety and/or the economic prejudice caused by exposure to asbestos.

A provision has been recognized in the financial statements in respect of the litigations currently in progress, for an amount that the Group considers adequate.

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 on 14 May 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. In a ruling of 29 September 2011, the Lyon administrative court rejected Arkema France's petition against this decision. Arkema has appealed this ruling. If Arkema loses its appeal, rehabilitation of the site affected by the pollution will be the Company's responsibility. Arkema France has already begun legal action against Rhodia Chimie, the previous operator of the site.

Arkema S.r.l

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 S.r.l, Arkema S.r.l 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 S.r.l 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.

In late August 2010, the Public Prosecutor heading the case ended the first phase of the procedure by deciding to send the matter before the Preliminary Hearing Judge, who ruled in June 2011 that third party petitions to join the prosecution as claimants of civil damages were valid. After hearing all the parties, the Judge decided in early 2012 that the only charge applicable to representatives of

Arkema Srl is the failure to take remedial action against the pollution observed.

Since this decision is still open to appeal, Arkema S.r.l considers that it is difficult to determine with certainty whether the Company or the managers or directors cited in this new phase of the criminal investigation could be considered to have liability.

CECA

In 1999, the company Intradis commissioned the company Antéa to carry out a survey on a site located in France which had been used for industrial purposes and in particular by CECA (manufacture of sulphuric acid) and the company Hydro Agri (a fertilizer factory which does not belong to the Group). The survey classified the site 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.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments arose in 2011 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.

On 5 August 2010, Rohm and Haas served Arkema Inc. and Arkema France with a petition in the District Court of Harris County, Texas. The petition asserts various claims against Arkema Inc. associated with the Deer Park, Texas Capacity Reservation Contract, MMA Swap Agreement, and MMA Supply Agreement. The claims are in particular for breaches of contract.

On 1 October 2010 an Amended Complaint filed by Rohm and Haas sought to terminate Arkema Inc.'s right under the Deer Park Capacity Reservation Contract as of 1 April 2014. On 21 April 2011, the Court in Texas held that the Capacity Reservation Contract "remains in full force and effect" and that Arkema Inc.'s purchase rights under such contract "shall continue for the life of the Deer Park Facility." Rohm and Haas was refused permission from the trial court to appeal that decision.

On 13 August 2010, Rohm and Haas filed a Notice of Arbitration and Statement of Claim with the American Arbitration Association in New York. The arbitration claim seeks relief from the alleged failure of Arkema France to enter into a replacement swap agreement for MMA.

As of 31 December 2011 the Texas proceedings and the AAA arbitration described above were proceeding simultaneously.

Arkema Química Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Química 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 €8.1 million).

Arkema Química 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 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. During the first half of 2010 Arkema Química Limitada gave the tax authorities confirmation of its application to benefit from the tax amnesty law that would allow it to pay only part of its overall tax liability. Once 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 €3.8 million at 31 December 2011 would be concerned by an appeal before the courts, which ARKEMA considers would have reasonable chances of success.

21.2.4 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 2012, approximately 3.5% of payroll costs (2.8% of DIF-eligible expenses and 0.7% of non-eligible expenses).

In ARKEMA, nearly 35% of training initiatives in the 2012 training plan will qualify for the statutory training entitlement and will therefore be systematically proposed as a priority to employees with a statutory training entitlement.

In addition, branch agreements in the chemicals industries have enabled priority training initiatives in respect of the statutory training entitlement to be defined and, in this context, part of the teaching costs can be taken as a charge by the employee benefit body responsible for the scheme's administration. In these conditions, implementing the statutory training entitlement does not result in any additional costs for ARKEMA.

NOTE 22 DEBT

Group net debt amounted to €603 million at 31 December 2011, taking account of cash and cash equivalents of €252 million and additional debt of €88 million related to the divestment project for the Vinyl Products segment. It is mainly denominated in euros.

The Group has the following instruments:

- on 26 July 2011, the Group put in place a multi-currency syndicated credit facility of €700 million, with a duration of five years, maturing on 26 July 2016. This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of ARKEMA. It includes:

(i) standard information undertakings and commitments for this type of financing,

(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3; this may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures. This facility can be used for a maximum of two non-consecutive test dates;

- in October 2010, the Group issued a €500 million bond that will mature on 25 October 2017, with a fixed coupon of 4.00%.
- the Group also has a securitisation programme for sales receivables with no deconsolidating effect, representing a maximum financing of €240 million, used for an amount of €90 million at 31 December 2011;
- 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. Finally, on 26 July 2011, the Group reduced the total value of the credit facility to €300 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 C29 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.

22.1 Analysis of net debt by category

(In millions of euros)	31/12/2011	31/12/2010
Bond	496	495
Finance lease obligations	3	12
Bank loans	48	52
Other non-current debt	36	28
Non-current debt	**583**	**587**
Finance lease obligations	1	2
Syndicated credit facility	0	0
Other bank loans	149	25
Other current debt	122	7
Current debt	**272**	**34**
Debt	**855**	**621**
Cash and cash equivalents	252	527
NET DEBT	**603**	**94**

22.2 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	31/12/2011	31/12/2010
Euros	722	536
US Dollars	17	17
Chinese Yuan	105	64
Korean Won	2	1
Other	9	3
TOTAL	**855**	**621**

22.3 Analysis of debt by maturity

The breakdown of debt, including interest costs, by maturity is as follows:

(In millions of euros)	31/12/2011	31/12/2010
Less than 1 year	293	56
Between 1 and 2 years	30	50
Between 2 and 3 years	34	29
Between 3 and 4 years	35	27
Between 4 and 5 years	39	28
More than 5 years	567	584
TOTAL	**998**	**774**

NOTE 23 MANAGEMENT OF RISKS RELATED TO FINANCIAL ASSETS AND LIABILITIES

ARKEMA's businesses expose it to various risks, including market risks (risk of changes in exchange rates, interest rates and the prices of raw materials and energy), credit risk and liquidity risk.

23.1 Foreign currency risk

The Group is exposed to transaction risks and translation risks related to foreign currencies.

The Group hedges the foreign currency risk mainly through spot foreign currency transactions or through forward transactions over short maturities, generally not exceeding 6 months.

The fair value of the Group's forward foreign currency contracts is a liability of €3 million.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2011 is in equilibrium (loss of €3 million at 31 December 2010).

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 2011 (not material at 31 December 2010).

23.2 Interest rate risk

Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at 31 December 2011.

An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of decreasing (increasing) the interest on financial assets and liabilities measured at amortized cost by €0.7 million.

23.3 Liquidity risk

The Group's central treasury department manages the liquidity risk associated with the Group's debt.

Liquidity risk is managed with the main objective of ensuring renewal of the Group's financing and, in the context of meeting this objective, optimizing the annual financial cost of the debt.

In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.

The Group reduces the liquidity risk by spreading maturities, favouring long maturities and diversifying its sources of financing. The Group thus has:

- a €500 million 7-year bond maturing on 25 October 2017;
- a €700 million syndicated credit facility maturing on 25 July 2016;
- a €300 million syndicated credit facility maturing on 31 March 2013;
- a securitisation programme for sales receivables, representing a maximum financing of €240 million.

These financing arrangements are intended to cover all the Group's financing requirements and giving it sufficient flexibility to meet its obligations.

Apart from a change of control, the main circumstances in which early repayment or termination could occur concern the syndicated credit facility (see note C22 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. In the case of the €700 million facility this ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures. This facility can be used for a maximum of two non-consecutive test dates.

At 31 December 2011, consolidated net debt represents 0.6 times consolidated EBITDA for the last 12 months.

The Group's net debt at 31 December 2011 amounts to €603 million.

At 31 December 2011, the amount available under the syndicated credit facility is €1,000 million and the amount of cash and cash equivalents is €252 million.

Note C22 Debt provides details of the maturities of debt.

23.4 Credit risk

The Group is potentially exposed to credit risk on its accounts receivable and as regards its banking counterparts.

Credit risk on accounts receivable is limited because of the large number of its customers and their geographical dispersion. No customer represented more than 3% of Group sales in 2011. The Group's general policy for managing credit risk involves assessing the solvency of each new customer before entering into business relations: each customer is allocated a credit limit, which constitutes the maximum level of outstandings (receivables plus orders) accepted by the Group, on the basis of the financial information obtained on the customer and the analysis of solvency carried out by the Group. These credit limits are revised regularly and, in any case, every time that a material change occurs in the customer's financial position. Customers who cannot obtain a credit limit because their financial position is not compatible with the Group's requirements in terms of solvency only receive deliveries when they have paid for their order.

Even though the Group has incurred very few bad debts for the last number of years, it has decided to cover its accounts receivable credit risk by putting in place a global credit insurance program. On account of the statistically low bad debt rate experienced by the Group, the rate of cover is significant. Customers with whom the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

In addition, the Group's policy for recognizing bad debt provisions in respect of receivables not covered by credit insurance, or the portion of receivables that are not so covered, has two components: receivables are individually provided against as soon as a specific risk of loss (economic and financial difficulties of the customer in question, entry into receivership, etc.) is clearly identified. The Group may also recognize general provisions for receivables that are overdue for such a period that the Group considers that a statistical risk of loss exists. These periods are adapted depending on the BUs and the geographical regions in question.

At 31 December 2011, accounts receivable net of provisions are distributed as follows:

(In millions of euros)	31/12/2011	31/12/2010
Accounts receivable net of provisions	**834**	**875**
Net receivables by maturity:		
Receivables not yet due	821	840
Receivables overdue by 1-15 days	2	23
Receivables overdue by 16-30 days	4	8
Receivables overdue by more than 30 days	7	4
TOTAL NET RECEIVABLES	**834**	**875**

Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group limits its exposure to credit risk by only investing in liquid securities with first-class commercial banks.

The net carrying amount of financial assets indicated in note C24 Presentation of financial assets and liabilities represents the maximum exposure to credit risk.

23.5 Risk related to raw materials and energy

The prices of certain raw materials used by ARKEMA are highly volatile and their fluctuations lead to significant variations in the cost price of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its manufacturing processes, ARKEMA is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.

Recognition of these derivatives had an impact of €2 million on the income statement at 31 December 2011 (no impact at 31 December 2010).

NOTE 24 PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES

24.1 Financial assets and liabilities by accounting caption

2011 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	35	**35**
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	68	-	**68**
Accounts receivable	(C17)	-	-	834	-	**834**
Cash and cash equivalents	(C18)	99	-	153	-	**252**
Derivatives*	(C24)	1	8	-	-	**9**
FINANCIAL ASSETS		**100**	**8**	**1,055**	**35**	**1,198**
Current and non-current debt	(C22)	-	-	855	-	**855**
Accounts payable		-	-	665	-	**665**
Derivatives*	(C24)	9	3	-	-	**12**
FINANCIAL LIABILITIES		**9**	**3**	**1,520**	**0**	**1,532**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

2010 FINANCIAL YEAR

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	38	**38**
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	68	-	**68**
Accounts receivable	(C17)	-	-	875	-	**875**
Cash and cash equivalents	(C18)	464	-	63	-	**527**
Derivatives*	(C24)	1	3	-	-	**4**
FINANCIAL ASSETS		**465**	**3**	**1,006**	**38**	**1,512**
Current and non-current debt	(C22)	-	-	621	-	**621**
Accounts payable		-	-	779	-	**779**
Derivatives*	(C24)	3	-	-	-	**3**
FINANCIAL LIABILITIES		**3**	**0**	**1,400**	**0**	**1,403**

* *Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".*

At 31 December 2011 as at 31 December 2010, the fair value of financial assets and liabilities except for bonds is approximately equal to their net carrying amount.

24.2 Derivatives

The main derivatives used by the Group are as follows:

(In millions of euros)	Notional amount of contracts at 31/12/2011			Notional amount of contracts at 31/12/2010			Fair value of contracts	
	< 1 year	<5 years and > 1 year	> 5 years	< 1 year	<5 years and > 1 year	> 5 years	31/12/2011	31/12/2010
Forward foreign currency contracts	850	-	-	446	-	-	0	1
Commodities and energy swaps	22	-	-	9	-	-	(3)	-
TOTAL	**872**	**-**	**-**	**455**	**-**	**-**	**(3)**	**1**

See note B7.6 "Financial assets and liabilities/Derivatives"

24.3 Impact of financial instruments on the income statement

The income statement includes the following items related to financial assets (liabilities):

	2011	2010
Total interest income (expenses) on financial assets and liabilities*	(28)	(12)
Impact on the income statement of valuation of derivatives at fair value	(6)	(5)
Impact on the income statement of the ineffective portion of cash flow hedge instruments	-	-
Impact on the income statement of valuation of available for sale assets	1	1

* *Excluding interest costs on pension obligations and the expected return on related plan assets.*

The amount of foreign exchange gains and losses recognized in recurring operating income in 2011 is in equilibrium (loss of €3 million in 2010). As the foreign currency denominated assets and liabilities of Group companies are hedged with their respective functional currencies, a change in exchange rates does not have a material impact on the income statement.

24.4 Impact of financial instruments on shareholders' equity

At 31 December 2011, the impact of financial instruments on the group's shareholders' equity is a positive amount of €6 million, essentially corresponding to the net-of-tax fair value of foreign exchange hedges of future cash flows.

At 31 December 2010, the impact of financial instruments on the group's shareholders' equity was a positive amount of €1 million, essentially corresponding to the net-of-tax fair value of foreign exchange hedges of future cash flows.

NOTE 25 ACCOUNTS PAYABLE, OTHER CREDITORS AND ACCRUED LIABILITIES

Accounts payable amount to €665 million at 31 December 2011 (€779 million at 31 December 2010).

The value of accounts payable reclassified as liabilities associated with assets held for sale at 31 December 2011 is €192 million (see note C9 Discontinued operations and assets held for sale).

Other creditors and accrued liabilities mainly comprise employee-related liabilities for €152 million at 31 December 2011 (€163 million at 31 December 2010) and amounts owing to governments for €44 million at 31 December 2011 (€52 million at 31 December 2010), including €17 million of VAT.

The value of other creditors and accrued liabilities reclassified as liabilities associated with assets held for sale at 31 December 2011 is €46 million (see note C9 Discontinued operations and assets held for sale).

NOTE 26 PERSONNEL EXPENSES

Personnel expenses, including stock options and free share grants (see note C28 Share-based payment), amount to €982 million in 2011 (€919 million in 2010).

They comprise €710 million of wages and salaries and IFRS 2 expenses (€667 million in 2010) and €272 million of social charges (€252 million in 2010).

NOTE 27 RELATED PARTIES

27.1 Transactions with non-consolidated or equity accounted companies

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are accounted for under the equity method. The values involved are not significant.

27.2 Compensation of key management personnel

Key management personnel of a group, as defined in IAS 24, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The key management personnel of the Group are the directors and the members of its executive committee (COMEX).

The compensation recognized in expenses by ARKEMA is as follows:

(In millions of euros)	**2011**	**2010**
Salaries and other short-term benefits	5.1	4.8
Pensions, other post-employment benefits and contract termination benefits	1.3	1
Other long-term benefits	-	-
Share-based payments	3.0	1.3

NOTE 28 SHARE-BASED PAYMENTS

28.1 Stock options

On 4 May 2011, the Board of Directors decided to put in place two stock option plans for the benefit of members of the Group's Executive Committee.

In Plan 1, stock options will be awarded subject to a vesting period of 2 years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of ROCE.

In Plan 2, stock options will be awarded subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with a performance objective relating to ARKEMA's average EBITDA margin for the period 2011-2014.

The main characteristics of the outstanding stock option plans at 31 December 2011 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	04 July 06	14 May 07	13 May 08	10 May 10	10 May 10	4 May 11	4 May 11	
Vesting period	2 years	2 years	2 years	2 years	5 years	2 years	4 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	68.48	68.48	
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
to the 10 largest beneficiaries*	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**403,150**	**169,100**	**14,080**	**-**	**-**	**-**	**-**	**586,330**
by corporate officers	22,000	10,000	-	-	-	-	-	32,000
by the 10 largest beneficiaries*	171,000	79,050	9,750	-	-	-	-	259,800
Number of options								
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**
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	**-**	**-**	**1,780,175**
In circulation at 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5,000	5,000	-	-	13,299
Exercised	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**

* *Employees who are not corporate officers of Arkema S.A. or any other Group company.*

VALUATION METHOD

The fair value of the options granted was determined using the Black & Scholes method on the basis of assumptions, of which the main ones are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2
Volatility	22%	20%	25%	35%	32%	32%	32%
Risk-free interest rate	2.82%	3.39%	4.00%	0.34%	0.34%	1.29%	1.29%
Maturity	4 years	4 years	4 years	4 years	5 years	4 years	4 years
Exercise price *(in euros)*	28.36	44.63	36.21	30.47	30.47	68.48	68.48
Fair value of stock options *(in euros)*	**6.29**	**7.89**	**8.99**	**6.69**	**6.67**	**12.73**	**12.73**

The volatility assumption was determined on the basis of observation of historical movements in the ARKEMA share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend.

The maturity adopted for the options corresponds to the period of unavailability for tax purposes.

The amount of the IFRS2 expense recognized in respect of stock options at 31 December 2011 was €2 million (€1 million at 31 December 2010).

28.2 Free share grants

On 4 May 2011, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of 2 years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA's EBITDA for 2011, and the variation in the EBITDA margin compared to a panel of other manufacturers of chemicals.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force at 31 December 2011 are as follows:

	2009 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	2011 Plan 3	Total (5)
Date of Annual General Meeting	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	12 May 09	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	
Vesting period	2 years	2 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	2 years	-	2 years	2 years	-	
Performance condition	Yes	Yes (3)	Yes (3)	Yes (4)	Yes (4)	Yes (4)	
Number of free shares granted	**184,850**	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	
to corporate officers: Thierry Le Hénaff	14,000	18,800	-	8,200	8,200	-	
to the 10 largest beneficiaries(1)	41,500	54,700	8,100	24,450	24,450	14,850	
Number of free shares							
In circulation at 1 January 2009	0	0	0	-	-	0	304,005
Granted	184,850	-	-	-	-	-	184,850
Cancelled	49,000 (2)	-	-	-	-	-	90,855
Definitively granted	-	-	-	-	-	-	87,600
In circulation at 31 December 2009	**135,850**	**0**	**0**	**-**	**-**	**0**	**310,400**
In circulation at 1 January 2010	135,850	0	0	-	-	0	310,400
Granted	-	153,705	50,795	-	-	-	204,500
Cancelled	2,500	-	638	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**133,350**	**153,705**	**50,157**	**-**	**-**	**0**	**337,212**
In circulation at 1 January 2011	133,350	153,705	50,157	-	-	-	337,212
Granted	-	-	-	88,305	59,380	52,315	200,000
Cancelled	1,150	3,690	1,000	455	455	125	6,875
Definitively granted	132,200	-	-	-	-	-	132,200
In circulation at 31 December 2011	**0**	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**398,137**

(1) Employees who are not corporate officers of Arkema S.A. or any other Group company.
(2) Waived by the Chairman and CEO and members of the Executive Committee.
(3) Performance conditions do not apply to beneficiaries of less than 100 shares.
(4) Performance conditions apply only to the portion of rights in excess of 80 held under all plans, except for Executive Committee members, all of whose rights will be subject to performance criteria.
(5) The total includes plans dating from before 2009.

The amount of the IFRS 2 expense recognized in respect of free shares at 31 December 2011 is €5 million (€3 million at 31 December 2010).

NOTE 29 OFF-BALANCE SHEET COMMITMENTS

Commitments reported at 31 December 2011 exclude commitments related to activities concerned by the divestment project for the Vinyl Products segment.

29.1 Commitments given

29.1.1 OFF-BALANCE SHEET COMMITMENTS GIVEN IN THE GROUP'S OPERATING ACTIVITIES

The main commitments given are summarized in the table below:

(In millions of euros)	31/12/2011	31/12/2010
Guarantees granted	50	67
Comfort letters	0	0
Contractual guarantees	30	25
Customs and excise guarantees	9	8
TOTAL	**89**	**100**

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.

29.1.2 CONTRACTUAL COMMITMENTS RELATED TO THE GROUP'S OPERATING ACTIVITIES

Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods of 1 to 20 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.

These purchase commitments were valued taking into account, on a case-by-case basis, ARKEMA's financial commitment to its suppliers, as certain of these contracts include clauses which oblige ARKEMA to take delivery of the minimum volumes as set out in the contract or, otherwise, to pay financial compensation to the supplier. Depending on the case, these commitments are reflected in the purchase agreements in the form of notice periods, indemnification to be paid to the supplier in case of early termination of the contract or "take or pay" type clauses.

The total amount of the Group's financial commitments is valued on the basis of the last known prices and amounts to €430 million at 31 December 2011 (see maturity schedule below):

(In millions of euros)	31/12/2011	31/12/2010
2011	-	198
2012	112	131
2013	63	80
2014	62	74
2015 until expiry of the contracts	193	222
TOTAL	**430**	**705**

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)	31/12/2011		31/12/2010	
	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2011	-	-	2	32
2012	0	20	2	22
2013	0	20	2	20
2014	0	17	2	18
2015 and beyond	2	34	8	69
NOMINAL VALUE OF FUTURE LEASE PAYMENTS	**3**	**91**	**16**	**161**
Finance cost	1	NA	3	NA
PRESENT VALUE	**2**	**NA**	**13**	**NA**

NA: not applicable.

29.1.3 OFF BALANCE SHEET COMMITMENTS RELATED TO CHANGES IN THE SCOPE OF CONSOLIDATION

Warranties related to sales of businesses

Sales of businesses sometimes involve the provision of warranties in respect of unrecorded liabilities to the purchaser. ARKEMA sometimes grants such warranties on the sale of businesses. In most cases these warranties are capped and granted for a limited period of time. They are also limited in terms of their coverage to certain types of litigation and claims. In the majority of cases, they cover risks of occurrence of environmentally related claims.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted in the past by ARKEMA amounted to €58 million at 31 December 2011 (€64 million at 31 December 2010). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

In the divestment project concerning its vinyls activities, ARKEMA expects to provide the usual warranties for such operations for a total amount of up to €38 million, and may be obliged to issue warranties to third parties for the activity sold during a transitional period of no more than 15 months.

29.1.4 OFF BALANCE SHEET COMMITMENTS RELATED TO GROUP FINANCING

These commitments are described in note C22 Debt.

29.2 Commitments received

Commitments received from Total in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described below.

29.2.1 THE INDEMNITIES EXTENDED BY TOTAL IN RESPECT OF CERTAIN ANTITRUST LITIGATION

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. and Elf Aquitaine, Inc. has extended to Arkema Amériques SAS, the indemnities, the principal terms of which can be described as follows.

Subject-matter of the Indemnities

By an agreement dated 15 March 2006 *(the **Arkema European Indemnity**)*, Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 *(the **Arkema U.S. Indemnity**)*, Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 *(the **Arkema Delaware Indemnity**)*, to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of $19.3 million under the ***Arkema Delaware Indemnity***. At 31 December 2011, the residual amount covered by this indemnity amounts to $874 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 *(the **Supplemental Arkema Delaware Indemnity**)* covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the ***Arkema Delaware Indemnity***.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the ***Indemnities*** and individually as an ***Indemnity***.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc., as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €126 million being received from Total S.A. The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnities of Arkema S.A. and Arkema Inc.

Arkema S.A. and Arkema Inc. have agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. and Arkema Inc. will be reduced by the indemnity which would have been paid by Total S.A. or Elf Aquitaine, Inc., as the case may be, under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. and Arkema Inc. is triggered, Arkema S.A. or Arkema Inc., as the case may be, would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceeds the deductible).

Duration of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

The Arkema Inc. cross-indemnity is valid for a term of 10 years from 7 March 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% – and 20% in the case of double voting rights – unless a purchaser acquires at least two thirds of the total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., prior to the termination event.

29.2.2 OBLIGATIONS AND INDEMNITIES GIVEN IN RESPECT OF FORMER INDUSTRIAL SITES

In order to cover certain risks relating to certain industrial sites situated in France, Belgium and the United States in respect of which the Group is or could be held liable, and where, for the most part, operations have ceased *(the **Former Industrial Sites**)*, Total S.A. companies have entered with Arkema S.A. or its subsidiaries into indemnity and service agreements the principal terms of which can be described as follows:

Agreement relating to Former Industrial Sites located in France

Arkema France has entered into various agreements with Total companies and in particular Retia. Pursuant to these agreements, the Total companies concerned, in consideration of a flat fee already paid by Arkema France, assume all the investigation, restoration and monitoring obligations that could be imposed on Arkema France by the competent administrative authorities in respect of industrial sites located in France the operation of which, for the most part, has ceased. To this end, the agreements provide, in particular, (i) in the majority of cases, for the transfer of ownership of the sites concerned by Arkema France to the Total companies concerned, (ii) for the Total companies concerned to be substituted for Arkema France in the capacity of last operator of those sites whenever that is possible, (iii) for the performance by the Total companies concerned of the restoration obligations of the sites in question in accordance with the applicable rules and (iv) for the indemnity by the Total companies in respect of the financial consequences of claims which could be brought against Arkema France by reason of the impact of those sites on the environment.

In most cases, Arkema France retains responsibility for the consequences concerning employees and former employees of Arkema France as well as third parties, in terms of public health or occupational pathologies, of the industrial activities formerly carried out by Arkema France and its predecessors on the sites which are the subject of the aforementioned agreements.

Agreement relating to the Former Industrial Site at Rieme in Belgium

On 30 December 2005, Arkema France sold all of the shares that it held in the share capital of the Belgian company Resilium Belgium to the company Septentrion Participations, a subsidiary of Total S.A.

The company Resilium Belgium is the owner of a Former Industrial Site located at Rieme in Belgium.

Having regard to the future costs that might arise from the restoration of the Former Industrial Site at Rieme, Arkema France has paid the company Septentrion Participations financial compensation. In exchange, Septentrion Participations has undertaken to assume all restoration obligations in respect of the site at Rieme and to indemnify Arkema France against all claims, actions and complaints relating to Resilium Belgium, its assets and its liabilities.

Agreement relating to certain Former Industrial Sites located in the United States

In March 2006, Arkema Amériques SAS completed the acquisition from Elf Aquitaine Inc. and Arkema France of Arkema Delaware Inc., a holding company of most of the Group's operations in the United States. The negotiated terms of the stock purchase agreement among Elf Aquitaine Inc., Legacy Sites Services LLC and Arkema Amériques SAS, dated 7 March 2006 *(the **Arkema Delaware Main SPA**)* required Elf Aquitaine Inc. to use $270 million to capitalize a new subsidiary, Legacy Sites Services LLC, that will perform remediation services and indemnify the Group against the cost of environmental contamination liabilities incurred by the Group entities covered by this indemnity, and related personal injury and property damage claims associated with contamination at 35 of the Group's closed and formerly operated facilities and 24 third party sites where the Group's liability arises solely out of waste shipments from the sites other than currently operated sites. In exchange for this indemnification, Arkema Amériques SAS agreed to grant to Legacy Sites Services LLC control over remediation activities and the defence of claims relating to contamination liabilities at these facilities and sites.

The sites currently operated by the Group are excluded from this indemnity, as are sites that received waste associated with current operations of the Group and certain sites where no significant restoration work is currently underway or anticipated and other sites where the Group could be held liable for environmental pollution. These other sites include, for example, sites where remediation has been conducted in the past or where future remediation costs or liability are believed to be insignificant or non-existent based upon information available at the time when the indemnity was entered into. Arkema Amériques SAS has waived any claims against Legacy Sites Services LLC, Total S.A. or their respective subsidiaries in respect of the sites not covered by the indemnity.

The Legacy Sites Services LLC indemnity covers the costs of restoration and clean-up of the soil and groundwater, the costs of related defence and settlement costs and personal injury, property and natural resource damages. The indemnity does not cover liabilities unrelated to site remediation, in particular liabilities in respect of products manufactured on the said sites, liability arising from certain dangerous and potentially dangerous substances, particularly asbestos exposure and criminal liability.

The indemnity described above is capped at $270 million. The amount received by ARKEMA under this indemnity amounted to $53 million. At the same time as the stock purchase agreement and the indemnity described above, Legacy Site Services LLC and Arkema Inc. entered into a supplemental contamination indemnity agreement pursuant to which Legacy Site Services LLC will indemnify the liabilities of the Group in excess of $270 million, on the same terms, for the same sites and subject to the same exceptions as the indemnity described in the preceding paragraph.

29.2.3 TAX INDEMNITY GRANTED BY TOTAL S.A.

In order to cover potential tax risks related to the business activities transferred by the Group to Total or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated 15 March 2006 (the Tax Indemnity), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by reserves, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses (with the exception of reassessments that may affect Arkema UK, as indicated below) and is subject to the specific terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A. Arkema S.A.'s failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnification

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to 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

Tax liabilities arising from the reorganization undertaken for purposes of separating Arkema's Businesses from Total's Chemicals sector in the Netherlands, which may have been incurred by Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group of which Arkema North Europe B.V. is the parent company are excluded from the Tax Indemnity. Any other tax liabilities arising from reassessments that may be applied to Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group will be assumed by these companies, which remain under Total S.A.'s control.

Arkema UK will benefit from a UK corporation tax indemnity covering any tax reassessments against it relating to Arkema's Businesses. This indemnity will be limited to the amount of losses generated by the Arkema Businesses that have been transferred by Arkema UK as result of the group relief instituted by Total Holdings UK for corporation tax purposes in the United Kingdom.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

29.2.4 OTHER INDEMNITIES GIVEN IN THE CONTEXT OF THE SPIN-OFF OF ARKEMA'S BUSINESSES

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which Arkema S.A. declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. Arkema S.A. releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-Off of Arkema's Businesses

Total S.A. and Arkema S.A. have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of Arkema's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its *de facto* or *de jure* directors, corporate officers or executives against any Total entity or any one of its *de facto* or *de jure* employees, directors, corporate officers or executives (a ***Total Entity***). The claims, actions or complaints mentioned above are hereinafter referred to as the ***ARKEMA Claim(s)***.

Consequently, Arkema S.A. has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity. Arkema S.A. has waived all ARKEMA Claims other than New Claims, as defined below.

Arkema S.A.'s indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential ARKEMA Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to 18 May 2006, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the ***New Claim(s)***).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, directors, corporate officers or executives (the ***ARKEMA Entity(ies)***), arising from the ownership or operation by Arkema entities of the companies or businesses acquired by Total before 18 May 2006 (the ***Total Claim(s)***).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by ARKEMA Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from 18 May 2006.

In addition, the Arkema Delaware Main SPA provides that Arkema Amériques SAS, which became a subsidiary of Arkema S.A. on 18 May 2006, will indemnify Elf Aquitaine, Inc., a subsidiary of Total S.A., for any taxes that may result from a breach of representations or covenants under the Arkema Delaware Main SPA or the Tax Sharing Agreement dated 1 January 2001, among Total Holdings USA, Inc. and certain of its subsidiaries, by Arkema Amériques SAS, Arkema Delaware Inc., or certain of the subsidiaries of Arkema Delaware Inc. Elf Aquitaine, Inc. will likewise indemnify Arkema Amériques SAS for any taxes resulting from such breaches by Elf Aquitaine, Inc. Moreover, the Arkema Delaware Main SPA provides that Elf Aquitaine Inc. and its US subsidiaries, on the one hand, and Arkema Delaware Inc. with certain of its US subsidiaries, on the other hand, will each be responsible for their share of US federal and state income taxes before 7 March 2006, as computed under the Tax Sharing Agreement, because for this period Elf Aquitaine, Inc. files a consolidated US federal income tax return that includes Arkema Delaware Inc. and certain of its subsidiaries and pays the taxes due in respect of the consolidated US federal income tax return. Arkema Delaware Inc. and certain of its subsidiaries will be required to pay such amounts to Elf Aquitaine, Inc. For periods after 7 March 2006, Arkema Delaware, Inc. and its US subsidiaries will be responsible to file income tax returns separately from Elf Aquitaine, Inc. and separately to make all tax payments in respect of these returns.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section "Commitments received from Total in 2006".

NOTE 30 STATUTORY AUDITORS' FEES

	KPMG				Ernst & Young			
	Amount				Amount			
	(In millions of euros)		%		*(In millions of euros)*		%	
	2011	2010	2011	2010	2011	2010	2011	2010
Audit								
Auditing, certification, review of individual and consolidated financial statements	**2**	**1.6**			**2**	**1.6**		
Issuer	0.5	0.4			0.5	0.4		
Fully consolidated subsidiaries	1.5	1.2			1.5	1.2		
Other due diligence work and services directly related to the auditors' mission	**0.2**	**-**			**0.5**	**0.5**		
Issuer	-	-			-	-		
Fully consolidated subsidiaries	0.2	-			0.5	0.5		
SUB-TOTAL	**2.2**	**1.6**	**100%**	**100%**	**2.5**	**2.1**	**100%**	**100%**
Other services provided by the networks to fully consolidated subsidiaries	**-**	**-**	**0%**	**0%**	**-**	**-**	**0%**	**0%**
TOTAL	**2.2**	**1.6**	**100%**	**100%**	**2.5**	**2.1**	**100%**	**100%**

In application of an internal rule validated by the Audit Committee, the amount of fees for other due diligence work and services directly related to the auditors' mission shall not exceed 30% of fees for the audit of the individual and consolidated financial statements.

NOTE 31 SUBSEQUENT EVENTS

No significant event has occurred since the year-end.

D. SCOPE OF CONSOLIDATION AT 31 DECEMBER 2011

(a)	Companies merged in 2011	(d)	Companies formed in 2011
(b)	Companies consolidated for the first time in 2011	(e)	Companies concerned by the planned disposal described in A. Highlights
(c)	Companies acquired in 2011	(f)	Companies liquidated in 2011

The percentage of control indicated below also corresponds to the Group's ownership interest in each entity.

Akishima Chemical Industries Co. Ltd	(e)	Japan	100.00	FC
Alphacan	(e)	France	100.00	FC
Alphacan B.V.	(e)	Netherlands	100.00	FC
Alphacan D.o.o.	(e)	Croatia	100.00	FC
Alphacan S.p.A.	(e)	Italy	100.00	FC
Altuglas International Denmark A/S		Denmark	100.00	FC
Altuglas International Ltd		United Kingdom	100.00	FC
Altuglas International Mexico Inc.		United States	100.00	FC
Altuglas International SAS		France	100.00	FC
Altumax Deutschland GmbH	(a)	Germany	100.00	FC
Altumax Europe SAS	(a)	France	100.00	FC
American Acryl L.P.		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema		France	100.00	FC
Arkema Afrique SAS	(b)	France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie SAS		France	100.00	FC
Arkema Beijing Chemical Co. Ltd		China	100.00	FC
Arkema Canada Inc.		Canada	100.00	FC
Arkema Changshu Chemicals Co. Ltd		China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100.00	FC
Arkema Chemicals India Private Ltd	(c)	India	100.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Coatings Resins B.V.	(c)	Netherlands	100.00	FC
Arkema Coatings Resins SAU		Spain	99.92	FC
Arkema Coating Resins Malaysia Sdn. Bhd.	(c)	Malaysia	100.00	FC
Arkema Coatings Resins S.r.l.		Italy	100.00	FC
Arkema Coatings Resins UK	(b)	United Kingdom	100.00	FC
Arkema Co. Ltd		Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe		France	100.00	FC
Arkema France	(e)	France	100.00	FC
Arkema GmbH	(e)	Germany	100.00	FC

Arkema Holdings Ltd	(f)	United Kingdom	100.00	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema Inc.		United States	100.00	FC
Arkema Iniciadores SA de CV		Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd		United Kingdom	100.00	FC
Arkema Ltd	(e)	Vietnam	100.00	FC
Arkema Mexico SA de CV		Mexico	100.00	FC
Arkema North Europe B.V.		Pays Bas	100.00	FC
Arkema PEKK Inc.		United States	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica Ltda		Brazil	100.00	FC
Arkema Quimica SA	(e)	Spain	99.92	FC
Arkema RE Ltd		Ireland	100.00	FC
Arkema RE	(b)	France	100.00	FC
Arkema Resins (Pty) Ltd	(c)	South Africa	100.00	FC
Arkema Rotterdam B.V.		Netherlands	100.00	FC
Arkema (Shanghai) Distribution Co. Ltd		China	100.00	FC
Arkema Spar NL Limited Partnership	(d)+(b)	Canada	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema S.r.l.		Italy	100.00	FC
Arkema Thiochemicals Sdn Bhd	(b)	Malaysia	100.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Ceca Belgium	(c)	Belgium	100.00	FC
Ceca Italiana S.r.l.		Italy	100.00	FC
CECALC	(b)	France	100.00	FC
Ceca SA		France	100.00	FC
Changshu Coatex Additives Co. Ltd		China	100.00	FC
Changshu Haike Chemicals Co. Ltd		China	49.00	FC
Changshu Resichina Engineering Polymers Co. Ltd	(e)	China	100.00	FC
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Asia Pacific Inc.	(a)	South Korea	100.00	FC
Coatex Central Eastern Europe s.r.o.		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Netherlands B.V.		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Cray Valley Kunstharze GmbH	(c)+(a)	Germany	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd		China	40.00	PC
Delaware Chemicals Corporation		United States	100.00	FC
Dorlyl SNC		France	100.00	FC

Febex SA		Switzerland	96.77	FC
Harveys Composites South Africa	(c)	South Africa	100.00	FC
Luperox Iniciadores SA de CV		Mexico	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Meglas		Italy	33.00	EM
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar	(d)+(b)	Canada	50.00	PC
Noble Synthetics Private Limited	(c)	India	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Peninsula Polymers LLC	(c)	United States	100.00	FC
Plasgom SAU	(e)	Spain	99.92	FC
Qatar Vinyl Company Limited QSC		Qatar	12.91	EM
Résil Belgium	(e)	Belgium	100.00	FC
Resilia S.r.l.	(e)	Italy	100.00	FC
Resinoplast	(e)	France	100.00	FC
Resinoplast North America Srl de CV	(e)	Mexico	100.00	FC
Sartomer Asia Limited	(c)	Hong Kong	100.00	FC
Sartomer Guangzhou Chemicals Co, Ltd	(c)	China	100.00	FC
Sartomer Japan Inc.	(c)	Japan	100.00	FC
Sartomer Shangai Distribution Company Limited	(c)	China	100.00	FC
Sartomer Technology USA LLC	(c)+(a)	United States	100.00	FC
Sartomer USA LLC	(c)	United States	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemical Co. Ltd		China	93.40	FC
Stannica LLC		United States	50.00	PC
Sunclear SA Espana (ex Plasticos Altumax SA)		Spain	99.92	FC
Sunclear (ex Sunclear France)		France	100.00	FC
Sunclear SRL (ex Altuglas International SRL)		Italy	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinylberre	(a)	France	100.00	FC
Vinylfos	(e)	France	100.00	FC

NB: FC: Full consolidation
PC: Proportionate consolidation
EM: consolidation by the equity method.

20.4 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris-La Défense Cedex

Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la Compagnie régionale de Versailles

Arkema

Year ended 31 December 2011

To the shareholders,

Following our appointment as statutory auditors by your general meetings, we hereby report to you, for the year ended 31 December 2011, on:

- the audit of the accompanying annual financial statements of Arkema;
- the justification of our assessments;
- the specific verifications and information required by French law.

These 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the data which we collected was sufficient and appropriate to provide a reasonable basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2011 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. JUSTIFICATION OF ASSESSMENTS

In accordance with the requirements of article L. 823-9 of the French Commercial Code 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.7 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 as part of our audit of the financial statements taken as a whole and therefore contributed to the opinion we formed wich is 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 consistency with the annual financial statements of the information given in the Board of Directors' management report and in the documents addressed to the shareholders with respect to the financial position and the annual financial statements.

As regards information provided in accordance with the provisions of article L. 225-102-1 of the French Commercial Code 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 the accuracy and fair presentation 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 share were duly disclosed in the management report.

Paris-La Défense, 16 March 2012

The statutory auditors

French original signed by

KPMG Audit	ERNST & YOUNG Audit	
Département de KPMG S.A.		
Bertrand Desbarrières	François Carrega	Valérie Quint

20.5 COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2011

Balance sheet

ASSETS

(In millions of euros)	Note	31 December 2011 Gross	31 December 2011 Depreciation and impairment	31 December 2011 Net	31 December 2010 Net
Investments, net	D 1	2,956	1,624	1,332	1,498
Other fixed assets		504	-	504	504
TOTAL FIXED ASSETS		**3,460**	**1,624**	**1,836**	**2,002**
Prepayments		3		3	
Trade receivables	D 2	13	-	13	15
Other receivables	D 2	72	-	72	63
Subsidiary current accounts	D 2	326	-	326	375
Treasury shares		11	-	11	6
Cash and cash equivalents		0	-	0	-
TOTAL CURRENT ASSETS		**425**	**-**	**425**	**459**
Bond premium and issuing cost		4		4	5
Prepaid expenses		0	-	0	0
TOTAL ASSETS		**3,889**	**1,624**	**2,265**	**2,466**

LIABILITIES AND SHAREHOLDERS' EQUITY

(In millions of euros)	Note	31 December 2011	31 December 2010
Share capital		619	615
Paid-in surplus		1,021	1,011
Legal reserve		61	61
Retained earnings		114	134
Net income for the year		(289)	42
TOTAL SHAREHOLDERS' EQUITY	D 3	**1,526**	**1,863**
PROVISIONS	D 4	**152**	**23**
Bond	D 5	504	504
Debt	D 5	0	0
Trade payables	D 5	8	11
Tax and employee-related liabilities	D 5	6	6
Other payables	D 5	69	59
TOTAL CURRENT LIABILITIES		**587**	**580**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,265**	**2,466**

Income statement

(In millions of euros)	2011	2010
Services billed to related companies	12	10
Other purchases and external expenses	(6)	(13)
Taxes other than income taxes	(0)	(0)
Personnel expenses	(8)	(7)
Other operating expenses	0	2
(Allowances) and reversals of provisions	(5)	(5)
Operating income	**(7)**	**(13)**
Dividends from investments	10	19
Interest income	23	1
Interest expenses	(20)	(4)
Net foreign exchange gains (losses)	0	0
Impairment of investments	(196)	(6)
(Allowances) and reversals of provisions for financial risks	(122)	9
Financial result	**(305)**	**19**
Income before tax and exceptional items	**(312)**	**6**
(Allowances) and reversals of exceptional provisions	(2)	(5)
Other exceptional income	0	2
Income and (expenses) on capital transactions	(6)	(1)
Exceptional items	**(8)**	**(4)**
Income taxes	31	40
NET INCOME	**(289)**	**42**

Cash flow statement

(In millions of euros)	2011	2010
Net income	(289)	42
Changes in provisions	324	1
Changes in impairment	1	5
(Gains)/losses on sales of assets	0	0
Gross operating cash flow	**36**	**48**
Change in working capital	(7)	3
Cash flow from operating activities	**29**	**51**
Cost of acquisition of investments	(30)	(223)
Change in loans	0	(504)
Sale of investments	0	0
Cash flow from investment activities	**(30)**	**(727)**
Bond issued	0	504
Change in share capital and other equity	13	23
Distribution of dividends to shareholders	(61)	(37)
Cash flow from financing activities	**(48)**	**490**
CHANGE IN NET DEBT	**(49)**	**(186)**
Net cash at beginning of period*	375	561
Net cash at end of period*	326	375

* *Including subsidiary current accounts.*

Table of subsidiaries and investments at 31/12/2011

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	275	* (217)	1,624	0	2,155,916,672	99.99	826	1,000	3,683	(318)	-
Arkema Amériques SAS 420, rue d'Estienne d'Orves 92705 Colombes Cedex	1,049	605	1,044	1,044	104,354,000	99.46	-	-	-	12	10
Arkema Europe SA 420, rue d'Estienne d'Orves 92705 Colombes Cedex	548	26	188	188	12,370,920	34.32	-	-	-	30	-
Arkema Asie SAS 420, rue d'Estienne d'Orves 92705 Colombes Cedex	120	70	71	71	39,420	59.40	-	-	-	31	-
Arkema Afrique SAS 420, rue d'Estienne d'Orves 92705 Colombes Cedex	30	0	30	30	300,370	100,00	-	-	-	0	-
TOTAL INVESTMENTS			**2,957**	**1,332**			**826**	**1 000**	**3,683**	**(246)**	**10**

(*) Included €170 million of provisions for tax purposes.

20.6 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS AT 31 DECEMBER 2011

A. HIGHLIGHTS

- In the frame of the acquisition by the ARKEMA Group of two specialty chemicals businesses (coatings resins and photocure resins) from TOTAL, Arkema S.A. contributed €30 million in cash to its 100%-owned subsidiary Arkema Afrique, by subscribing to the capital increase carried out by this subsidiary.
- On 23 November 2011, ARKEMA announced a project to dispose of its Vinyl Products segment to the Klesch Group, which specializes in the development of commodity-related industrial activities.

This divestment project is reflected in the financial statements of Arkema S.A.'s fully owned subsidiary Arkema France, through the recognition of an exceptional provision of €404 million. This leads to an additional impairment of the investment in Arkema France for €196.1 million bringing its carrying amount to 0 as well as to the allowance of a provision for financial risks of € 122.2 million to adjust to the negative net assets of Arkema France at 31 December 2011.

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 7 March 2012.

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* - CNC), issued on 21 December 2000, the Company opted to recognize the costs of capital increases as a deduction from issue premiums.

3. Receivables

Accounts Receivables are recognized at their book value. A bad debt provision is recognized when the net realisable value is lower than the book value. Receivables denominated in foreign currencies are translated at the exchange rate at 31 December.

4. Treasury shares

Treasury shares owned by Arkema S.A. are recognized at acquisition cost in current assets. They are valued in accordance with the FIFO (first-in first-out) method. Treasury shares are normally written down, if necessary, on the basis of their value at the balance sheet date. By exception, and in accordance with opinion n° 2008-17 of the French National Accounting Board (CNC), issued on 6 November 2008, these shares are not written down on the basis of their market value where they have been allocated to a plan, because of the commitment to make grants to employees and the provision recognized in this respect in liabilities.

Treasury shares initially allocated to cover grants to employees are reclassified into financial fixed assets into a "Treasury shares for cancellation" sub-account when a decision is taken to cancel the shares. They are then recorded at their net carrying amount at the date on which their allocation is changed.

5. Bond

The bond is accounted for its nominal value in liabilities.

The bond premium and issuing costs are recognized in the balance sheet as a separate asset.

Issuing costs relate to bank charges and legal fees expensed when setting up the bond and are charged back to income statement over the duration of the bond following the method of the effective interest rate, with the corresponding amortization being recognized in the operating income.

The bond premium is also amortized over the duration of the bond following the method of effective interest rate, with the corresponding expense being recognized in financial expense.

The effective interest rate corresponds to the interest rate which, when used to determine the discounted value of expected cash outflows till maturity date, leads to the initial book value of the bond.

6. Stock options and free share grants

6.1 STOCK OPTIONS

Stock options are accounted for, at the date of exercise, as a capital increase for an amount corresponding to the subscription price paid by the stock option holders. The difference between the subscription price and the nominal value of the shares created, if any, represents issue premiums.

6.2 FREE SHARE GRANTS

Arkema shares will be definitively granted to beneficiaries at the end of a vesting period subject to meeting the presence and, if applicable, performance conditions set by the Board of Directors.

6.2.1 Issue of new shares

Where the free share grant is carried out by issuing new shares, the capital increase by means of a transfer from reserves of the nominal amount of the shares created is recognized in the financial statements at the end of the vesting period.

6.2.2 Buybacks of existing shares

Where the free share grant is carried out through buybacks of existing shares (following a decision taken by the Board of Directors in relation to the plan in question), a provision representing the obligation to deliver the shares is recognized at year end for (i) the probable purchase price, valued on the basis of the closing share price, if the shares have not yet been purchased or (ii) the net carrying amount of the treasury shares if they have already been purchased. On delivery at the end of the vesting period, the purchase price paid by the Company for the shares granted is recognized in expenses and the provision previously recorded is reversed.

The provision is recognized on a time-proportion basis over the vesting period and takes into account, as applicable, the probability of meeting the presence and performance conditions set by the Board of Directors.

6.3 SOCIAL SECURITY ON STOCK OPTIONS AND FREE SHARE GRANTS

The 2008 French social security financing act (law 2007-1786 of 19 December 2007) created a new employer contribution on stock options and free share grants. This contribution is payable to the mandatory health insurance schemes to which the beneficiaries are affiliated and is paid in the month following the decision to grant stock options or free shares.

As regards stock options, the contribution is calculated, at the Company's choice, either on the basis of (i) the fair value of the options as estimated in the consolidated financial statements or (ii) 25% of the value of the shares to which these options relate at the date of the Board of Directors meeting which decided to make the grant.

As regards free share grants, the contribution is calculated, at the Company's choice, either on the basis of (i) the fair value of the shares as estimated in the consolidated financial statements or (ii) the value of the shares at the date of the Board of Directors meeting which decided to make the grant.

The choice of the basis to be used is made for the entire financial year.

7. Provisions for pensions and similar benefits

Arkema S.A. has granted top-up pension plans and other non-pension benefits (lump sum payments on retirement, long service awards, death and disability benefits, contributions to healthcare bodies) to certain employees.

Provisions are recognized in respect of these obligations in the financial statements.

The amount of the provision corresponds to the present value of employee's vested rights at the balance sheet date.

The valuation of obligations, under the projected unit credit method, principally takes into account:

- a discount rate which depends on the duration of the obligations (4.35% in 2011 vs. 4.50% in 2010);
- an assumption concerning the date of retirement;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs.

Actuarial gains and losses are fully recognized in the income statement.

8. Tax consolidation

The tax consolidation agreements signed between Arkema S.A. and the other companies in the tax consolidation group refer to a neutrality principle in accordance with which each consolidated subsidiary must recognize in its own financial statements, during the entire period of its consolidation within the ARKEMA tax consolidation group, a corporate income tax expense (or income), additional levies and minimum corporate tax (IFA) identical to that which it would have recognized had it not formed part of the tax consolidation group.

In its accounting records, Arkema S.A. recognizes:

- in "other receivables", with an offsetting entry to income taxes, the amount of income taxes owed by profitable companies in the tax consolidation group;
- in "other payables", with an offsetting entry to income taxes, the amount of taxes due by the tax consolidation group.

The tax consolidation agreements states that Arkema S.A. will benefit from the tax savings generated by the use of its subsidiaries' tax losses without any obligation to refund them (not even in case of subsidiaries scope out). On these basis and in accordance with the opinion 2005-G of the urgent issues committee of the French National Accounting Board (CNC), Arkema S.A. does not recognize any provision against tax benefits.

C. SUBSEQUENT EVENTS

None.

D. NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

The figures presented in the notes to the parent company financial statements are expressed in millions of euros (unless otherwise indicated).

1. Investments, loans and financial receivables

1.1 INVESTMENTS

(In millions of euros)	31.12.2010	Increase	Decrease	31.12.2010
Gross value	2,926	30	-	2,956
Impairment	(1,428)	-	(196)	(1,624)
NET VALUE	**1,498**	**30**	**(196)**	**1,332**

The change in Investments results from:

• the initial investment and subsequent capital increase of Arkema Afrique	30
• an increase in the impairment of the investment in Arkema France	(196)
Total	**(166)**

At 31 December 2011, the Company has recognized an additional impairment of €196 million of its investment in Arkema France as well as a €122 million provision for financial risks (see note 4 "*Provisions*"), based on the variation of the share held in the subsidiary's net assets.

1.2 LOANS AND FINANCIAL RECEIVABLES

In October 2010 the Company has granted a long term loan to Arkema France amounting to €500 million with an October 2017 maturity and a 4.166% interest rate; this loan mirrors the bond issued in October 2010.

2. Current assets

2.1 RECEIVABLES

The breakdown of the Company's receivables at 31 December 2011 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	13	12	1
Cash advances to subsidiaries	326	326	-
Other receivables*	86	13	73
TOTAL	**425**	**351**	**74**

* *Mostly tax receivables.*

2.2 TREASURY SHARES

At 31 December 2011, Arkema S.A. owns 214,080 treasury shares which are recorded at their acquisition cost of €11 million. These shares are allocated to cover the May 2011 free share grant plan and a portion of the May 2012 free share grant plan (see note 10 below).

No impairment has thus been recognized in the financial statements at 31 December 2011.

2.3 BOND PREMIUM AND ISSUING COSTS

Following amounts are recognized in this entry:

- Bond premium: €2.6 million;
- Issuing costs: €2.4 million.

After a €0.7 million depreciation over the period, the balance of this account amounts to €4.2 million at 31 December 2011.

3. Shareholders' equity

At 31 December 2011, the share capital is composed of 61,864,577 shares with a nominal value of 10 euros.

Changes in shareholders' equity are as follows:

millions of euros	Opening balance at 31.12.2010	Appropriation of 2010 net income	Distribution of dividend (1) + 2011 net income	Capital increase (2) 30.06.2011	Capital increase 31.12.2011 (3)	31.12.2011 before appropriation
Share capital	614.9			3.5	0.2	618.6
Issue premium	12.2			9.1	0.6	21.9
Paid-in surplus	874.3					874.3
Merger surplus	124.7					124.7
Legal reserve	61.2	0.2				61.4
Other reserves	-					-
Retained earnings	134.5	41.6	(61.5)			114.6
Net income for 2010	41.8	(41.8)				-
Net income for 2011	-		(289.3)			(289.3)
TOTAL SHAREHOLDERS' EQUITY	**1,863**	**0**	**(351)**	**13**	**1**	**1,526**

(1) The shareholders' general meeting of 24 May 2011 adopted a resolution proposing to distribute a dividend of €1 per share, or a total amount of €61 million, in respect of the 2010 financial year.
(2) Capital increase resulting from the exercise of stock options between 1 January and 30 June 2011.
(3) Capital increase resulting from the exercise of stock options between 1 July and 31 December 2011.

On 30 June 2011, the Company carried out a capital increase of €3.5 million and an increase in issue premium of €9 million after stock options were exercised from 1 January to 30 June 2011.

On 31 December 2011, the Company carried out a capital increase of €0.2 million and an increase in issue premium of €0,6 million after stock options were exercised from 1 July to 31 December 2011.

Following the completion of these transactions, Arkema S.A. share capital amounts to €618.6 million divided into 61,864,577 shares.

4. Provisions

Changes in provisions recognized in the Company's balance sheet are set out in the table below:

millions of euros	31.12.2010	Increase	Decrease	31.12.2011
Provisions for pensions and similar benefits	16	3 (a)	0	19
Provisions for long service awards	0	0	0	0
Provision for free share grant	7	6 (b)	(4) (d)	9
Provisions for financial risks	-	122 (c)	0	122
Provisions for other liabilities	-	1 (e)	0	1
Provision for income tax	-	0	-	0
TOTAL	**23**	**132**	**(4)**	**151**
These movements split as follows:				
Recognized in operating income		4	(0)	
Recognized in financial result		122	(0)	
Recognized in exceptional items		6	(4)	

(a) of which actuarial gains and losses for €2 million and interest cost and service cost for €1 million (see Section B Accounting policies).
(b) allowances and reversals recognized in exceptional items.
(c) see § D-1 Investment.
(d) reversal corresponding to an effective expense relating to the free share grant under the 2009 plan.
(e) tax on salaries.

5. Current liabilities

The breakdown of the Company's payables at 31 December 2011 by maturity is as follows:

millions of euros	Gross amount	Of which less than 1 year	Of which 1 to 5 years	Of which more than 5 years
Debt	504 [(a)]	4	-	500
Trade payables	8	8	-	-
Tax and employee-related liabilities	6	6	-	-
Other payables	69 [(b)]	30	39	-
TOTAL	**587**	**48**	**39**	**500**

(a) Long term bond issued by Arkema in October 2010.
(b) Mostly income tax payables owed to subsidiaries in the tax consolidation group.

6. Transactions with related parties included in some headings

(In millions of euros)	
Financial fixed assets	
Investment	1,332
Financial Receivables	504
Receivables	
Trade receivables	11
Other receivables (incl. current accounts)	326
Other receivables	75
Payables	
Trade payables	7
Other payables	69
Net sales	
Billing of management fees to subsidiaries	12
Financial expenses	-
Financial income	
Income from investments	10
Interest income	2
Income from loans	21

7. Financial result

- Arkema S.A. received dividends for a total amount of €10 million from Arkema Amériques SAS relating the 2010 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 2011, the application of the French tax consolidation scheme resulted in tax income (negative expense) for Arkema S.A of €31 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 2011 because of its tax loss position.

9. Deferred tax position

INCREASES AND REDUCTIONS IN FUTURE TAX LIABILITIES AT 31/12/2011 *(MILLIONS OF EUROS)*

(In millions of euros)	
Temporarily non-deductible expenses	
Provisions for pensions and death and disability benefits	3.2
Other expenses	3.6

The tax loss of Arkema as a stand-alone company originating from the period before the adhesion to the tax consolidation scheme amounts to €1 million at 31 December 2011.

The tax loss carry-forward of the tax consolidation group at 31 December 2011 amounts to €715 million.

10. Stock options plans and free share grants

STOCK OPTIONS

On 4 May 2011, the Board of Directors decided to put in place two stock option plans for the benefit of members of the Group's Executive Committee.

In Plan 1, stock options will be awarded 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 of ROCE. In Plan 2, stock options will be awarded subject to a vesting period of four years, with effect from the Board of Directors' grant, and subject to compliance with a performance objective relating ARKEMA's average EBITDA margin for the period 2011-2014.

The main characteristics of the outstanding stock option plans at 31 December 2011 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	04 July 06	14 May 07	13 May 08	10 May 10	10 May 10	4 May 11	4 May 11	
Vesting period	2 years	2 years	2 years	2 years	5 years	2 years	4 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	68.48	68.48	
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
to the 10 largest beneficiaries*	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**403,150**	**169,100**	**14,080**	**-**	**-**	**-**	**-**	**586,330**
by corporate officers	22,000	10,000	-	-	-	-	-	32,000
by the 10 largest beneficiaries*	171,000	79,050	9750	-	-	-	-	259,800
Number of options								
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**
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	**-**	**-**	**1,780,175**
In circulation at 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5000	5000	-	-	13,299
Exercised	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**

* *Employees who are not corporate officers of Arkema S.A. or any other Group company.*

FREE SHARE GRANT

On 4 May 2011, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA's EBITDA for 2011, and the variation in the EBITDA margin compared to a panel of other manufacturers of chemicals.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force are as follows:

	2009 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	2011 Plan 3	Total (5)
Date of Annual General Meeting	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	12 May 09	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	
Vesting period	2 years	2 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	2 years	-	2 years	2 years		
Performance condition	Yes	Yes (3)	Yes (3)	Yes (4)	Yes (4)	Yes (4)	
Number of free shares granted	**184,850**	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	
to corporate officers: Thierry Le Hénaff	14,000	18,800	-	8,200	8,200	,	
to the 10 largest beneficiaries (1)	41,500	54,700	8,100	24,450	24,450	14,850	
Number of free shares							
In circulation at 1 January 2009	0	0	0	-	-	0	304,005
Granted	184,850	-	-	-	-	-	184,850
Cancelled	49,000 (2)	-	-	-	-	-	90,855
Definitively granted	-	-	-	-	-	-	87,600
In circulation at 31 December 2009	**135,850**	**0**	**0**	**-**	**-**	**0**	**310,400**
In circulation at 1 January 2010	135,850	0	0	-	-	0	310,400
Granted	-	153,705	50,795	-	-	-	204,500
Cancelled	2,500	-	638	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**133,350**	**153,705**	**50,157**	**-**	**-**	**0**	**337,212**
In circulation at 1 January 2011	133,350	153,705	50,157	-	-	-	337,212
Granted	-	-	-	88,305	59,380	52,315	200,000
Cancelled	1,150	3,690	1,000	455	455	125	6,875
Definitively granted	132,200	-	-	-	-	-	132,200
In circulation at 31 December 2011	**0**	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**398,137**

(1) Employees who are not corporate officers of Arkema S.A. or any other Group company.
(2) Waived by the Chairman and CEO and members of the Executive Committee.
(3) Performance conditions do not apply to beneficiaries of less than 100 shares.
(4) Performance conditions apply only to the portion of rights in excess of 80 held under all plans, except for Executive Committee members, all of whose rights will be subject to performance criteria.
(5) The total includes plans dating from before 2009.

The delivery of performance shares relating to 2009 and 2010-1 plans is carried out trough acquisition of existing shares. The definitive grant of the shares relating to the 2009 plans was fulfilled in May 2011.

EXPENSE IN THE FINANCIAL YEAR IN RESPECT OF THE 2009 TO 2011 PLANS

The delivery of shares in respect of the 2009 plan led to recognition in the 2011 exceptional items of a net expense of €1 million (€5.6 million expense compensated for by a €4.6 million reversal of provision).

At 31 December 2011 the provision relating to the 2010 plan was increased by €4.1 million to €6.8 million.

Furthermore, a new provision was recorded in respect of the 2011 plan for an amount of €2.1 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 in March 2006 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. Finally, on 26 July 2011, the Group reduced the total value of the credit facility to €300 million. 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.

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:

- 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 11.2 "Off-balance sheet commitments";
- 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;
- 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 31 December 2011 this credit facility was not in use.

On 26 July 2011, Arkema S.A. and Arkema France have signed a multi-currency syndicated credit facility in the amount of €700 million, with a duration of five years, maturing on 26 July 2016. 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.

This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of ARKEMA. It includes:

(i) standard undertakings and commitments for this type of financing

(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3; this may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.

At 31 December 2011 this credit facility was not in use.

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$19.3 million under the Arkema Delaware Indemnity. At 31 December 2011, the residual amount covered by this indemnity amounts to US$874 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (the **Supplemental Arkema Delaware Indemnity**) covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the **Indemnities** and individually as an **Indemnity**.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc., as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defense of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €126 million being received from Total S.A. (paid directly to Arkema France S.A., the indemnities granted by Total also benefitting the subsidiaries). The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnity of Arkema S.A.

Arkema S.A. has agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. will be reduced by the indemnity which would have been paid by Total S.A. under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. is triggered, Arkema S.A. would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceed the deductible).

Term of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% – and 20% in the case of double voting rights – unless a purchaser acquires at least two thirds of the Total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France S.A.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., as the case may be, prior to the termination event.

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.A.'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 (*the* ***Total Entity(ies)***). 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:	9
Supervisors and technicians:	0
Total:	**9**

13. Transactions with related parties

The compensation of directors and members of its executive committee (COMEX) recognized in expenses by Arkema S.A. is as follows:

(in millions of euros)	2011	2010
Salaries and other short-term benefits	5.1	4.8
Pensions, other post-employment benefits and contract termination benefits*	1.3	1.0
Pensions, other post-employment benefits and contract termination benefits	-	-
Share-based payments	2.0	1.3

* *Excluded actuarial gains or losses.*

Other transactions with related parties involve subsidiaries directly or indirectly wholly owned by Arkema S.A. and do not fell within the scope of the Article 1 of the Regulation n° 2010-02 of 2 September 2010 of the French National Accounting Authority (*Autorité des Normes Comptables*, formerly *Conseil National de la Comptabilité*).

20.7 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	2007	2008	2009	2010	2011
I - Financial position at year end					
a) Share capital	605	605	605	615	619
b) Number of shares issued	60,453,823	60,454,973	60,454,973	61,493,794	61,864,577
II - Operations and results					
a) Sales (excluding VAT)	6	7	8	10	12
b) Income before tax, depreciation, impairment and provisions	174	69	224	8	5
c) Income taxes	19	30	48	40	31
d) Employee legal profit sharing	-	-		-	
e) Income after tax, depreciation impairment and provisions	121	94	20	42	(289)
f) Amount of dividends distributed	46	36	37	61	Not available
III - Earnings per share *(in euros)*					
a) Income after tax but before depreciation, impairment and provisions	3.19	1.63	4.49	0.78	0,58
b) Income after tax, depreciation, impairment and provisions	2.01	1.55	0.33	0.68	(4,68)
c) Net dividend per share	0.75	0.60	0.60	1.00	Not available
IV - Employee data					
a) Number of employees	8	8	8	8	8
b) Total payroll	3	5	3	5	5
c) Amounts paid to employee benefit bodies in the year	1	2	1	2	2

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ADDITIONAL INFORMATION

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21.1 SHARE CAPITAL

21.1.1 Amount of share capital

At 31 December 2011, the Company's share capital was €618,645,770 divided into 61,864,577 fully paid up shares of a single category, with a nominal value of €10 per share.

At 1 January 2011, the total number of outstanding shares was 61,493,794 (including 136,280 treasury shares).

21.1.2 Form and transfer of shares

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 2011, the Company held 214,080 treasury shares.

In application of article L. 225-211 of the *Code de commerce*, the purpose of the information below is (i) to inform the Company'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 24 May 2011, and (ii) to present the new buy-back program on which the Company's annual general meeting of 23 May 2012 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 24 May 2011 (2011 Share Buy-back Program)

The annual general meeting of 24 May 2011, 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: €85, with the Company's holding as a result of this purchase not exceeding 10% of the share capital;
- maximum amount of funds allocated to completion of the 2011 share buy-back program: €100 million;
- duration of this authorization: 18 months; and
- 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 2011 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 *et seq.* of the French Labor Code;
- to reduce the Company's share capital.

The Board of Directors of 1 March 2011 decided to implement the share buy-back program subject to authorization by the combined general meeting of 24 May 2011.

Operations completed as part of the 2011 Share Buy-back Program

As at 24 May 2011, when the annual general meeting approved the 2011 Share Buy-back Program, the Company held, directly or indirectly, 4,080 treasury shares.

The following tables give a summary of the operations carried out as part of the 2011 Share Buy-back Program:

Summary statement as at 29 February 2012	
Number of shares comprising the Company's capital at 24 May 2011	61,690,717
Treasury shares held directly or indirectly at 24 May 2011	4,080
Number of shares purchased between 24 May 2011 and 29 February 2012	210,000
Weighted average gross price of shares purchased *(in euros)*	48.06
Number of treasury shares at 29 February 2012	214,080
Number of shares cancelled in the last 24 months	None
Accounting value of portfolio *(in euros)*	10,265,380.72
Market value of portfolio *(in euros)* based on closing price at 29 February 2012, *i.e.* €68.78	14,724,422.40

The number of shares registered in the name of the Company at 31 December 2011 was 214,080. Taking a purchase price of €48.06, the value of the treasury share portfolio at 31 December 2011 was €10,288,195.

	Aggregate gross movements		Open positions at 29 February 2012	
Summary of transactions carried out through the program between 24 May 2011 and 29 February 2012	Purchases	Sales/Transfers	Open buying positions	Open selling positions
Number of shares	210,000	-	-	-
Average price of transaction *(in euros)*	48.06	-	-	-
Amounts *(in euros)*	10,092,119	-	-	-

BREAKDOWN OF ARKEMA'S TREASURY SHARES BY OBJECTIVES:

As at 29 February 2012, the Company's 214,080 treasury shares 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 23 May 2012 (2012 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 23 May 2012 the cancellation of the 10th resolution voted by the combined general meeting of 24 May 2011 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 2012 Share Buy-back Program

As part of the 2012 Share Buy-back Program that will be recommended to the combined general meeting of 23 May 2012, 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 grant the shares upon the exercise of rights attached to securities giving immediate or future access to the share capital by whatever means, and to cover the Company's (or one of its subsidiaries') existing obligations in connection with such securities, under the conditions permitted by the market authorities and at the times the Board of Directors or its delegated representative deems appropriate;
- to cover stock option plans granted to employees or executive officers of the Company or its Group;
- to grant free shares to employees or executive officers of the Company or its Group 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; and
- to reduce the Company's share capital.

Cancellation of the repurchased securities may take place under the 9th resolution adopted by the combined general meeting of 24 May 2011 expiring on 24 May 2013.

Maximum proportion of share capital to be repurchased and maximum number of shares that may be acquired under the 2012 Share Buy-back Program

The maximum proportion of share capital to be repurchased under the 2012 Share Buy-back Program shall be 10% of the total number of shares comprising the Company's share capital (as at 29 February 2012, the total number of shares comprising the share capital was 61,930,510).

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 €95 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 2012 Share Buy-back Program would be €100 million.

Terms and conditions for the 2012 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 2012 Share Buy-back Program

In accordance with the resolution to be submitted for the approval of the combined general meeting of 23 May 2012, the 2012 Share Buy-back Program would be authorized for a period of 18 months from the date of its approval, namely until 23 November 2013.

21.1.5 Unissued authorized capital, undertakings to issue capital

As of 31 December 2011 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	1 June 2010	26 months	€300 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*	1 June 2010	26 months	€120 million €500 million (debt securities)	None
Authorization of the Board of Directors in the event of a capital issue with or without preferential subscription rights of existing shareholders to increase the number of shares to be issued*	1 June 2010	26 months	15% of the initial issue for each of the issues made under the delegation described above	None
Limitation on combined amount under the authorizations listed above*	1 June 2010	26 months	€420 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*	1 June 2010	26 months	€20 million	Used at 31 December 2011: None
Authorization given to the Board of Directors to make free allocations of the Company's shares*	15 June 2009	38 months	3% of issued capital at 15 June 2009, or €18,136,491	Used at 31 December 2010: Allocation of 204,500 actions (10 May 2010) Used at 31 December 2011: Allocation of 200,000 shares (4 May 2011)
Authorization given to the Board of Directors to issue options to subscribe for or purchase Company's shares*	15 June 2009	38 months	5% of issued capital at 15 June 2009, or €30,227,486	Used at 31 December 2010: Allocation of 450,000 options giving the right to subscribe for 450,000 shares (10 May 2010) Used at 31 December 2011: Allocation of 210,000 options giving the right to subscribe for 210,000 shares (4 May 2011)
Authorization for the Board of Directors to reduce the share capital by cancelling shares	24 May 2011	24 months	10% of issued capital	Used at 31 December 2011: None

* *A new authorization will be put to the vote of the annual general meeting scheduled for 23 May 2012 (for further information, please refer to the "Draft resolutions proposed to the combined ordinary and extraordinary general meeting on 23 May 2012" given in annex 4 of this reference document).*

At 31 December 2011, the Company's capital, which was €618,645,770, divided in 61,864,577 shares, was subject to an increase of 1,606,093 shares resulting from the exercise of 1,606,093 options, taking account of subscription options cancelled during the year, giving potential maximum dilution of 2.6%. 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).

New delegations of authority will be put to the vote of the annual general meeting on 23 May 2012 (see annex 4 of this reference document).

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 three 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 2011, 31 December 2010 and 31 December 2009 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 another shareholder, by their spouse, by a partner with whom they have signed a "civil solidarity pact", or by any other physical person or legal entity under the terms and conditions set forth in articles L. 225-106 *et seq.* of the Commercial Code.

Shareholders that are legal entities attend meetings through their legal representatives or any proxy appointed for this purpose.

Any member of the meeting who wishes to be represented by proxy shall send a proxy form to the Company, either on paper, or, if the Board of Directors provides for this option in both the announcement and convening notice, in electronic format, at least three days before the meeting. However, the Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive such notice periods and to accept proxy forms that do not fall within this limit.

Proxies in electronic format may be filed or received by the Company until 3:00 p.m., Paris time, on the eve of the general meeting. The Board of Directors or Chairman, if so authorized by delegation, has the power to reduce or waive this period.

Use of 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 Commercial Code, 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 17.4 of the Articles of Association)

In a general meeting, no shareholder may, directly or through a proxy, express more than 10% of the total voting rights attached to the Company's shares, taking into account single voting rights attached to shares that he directly or indirectly holds and to the powers conferred to him. However, if such a shareholder also holds personally or as a proxy double voting rights, the 10% limit may be exceeded, taking into account only the additional voting rights resulting therefrom, and the combined voting rights expressed shall not exceed 20% of the total voting rights attached to the Company's shares.

In application of the foregoing provisions:

- the total number of voting rights attached to the Company's shares that is taken into consideration is calculated as of the date of the general meeting and the shareholders are notified thereof at the beginning of such general meeting;
- the number of voting rights held directly and indirectly means those voting rights attached to shares to which a natural person holds title, either personally or jointly, or through a company, group, association or foundation, and those that are attached to the shares held by a company that is controlled, within the meaning of article L. 233-3 of the *Code de commerce*, by another company or by a natural person, association, group or foundation; and
- a shareholder's proxy returned to the Company without stating the name of the proxy is subject to the foregoing limitations. However, such limitations do not apply to the Chairman of a general meeting who is voting by virtue of all such proxies combined.

The limitations provided in the foregoing paragraphs have no effect in calculating the total number of voting rights, including double voting rights, attached to the Company's shares and which must be taken into account in applying the legal, regulatory or statutory provisions providing for specific obligations by reference to the number of voting rights existing in the Company or the number of shares having voting rights.

The limitations set forth above shall lapse, without any need for a new resolution by an extraordinary general meeting, whenever a natural person or a legal entity, acting separately or in concert with one or more natural persons or legal entities, should come to hold at least two thirds of the total number of shares in the Company following a public offering for all of the Company's shares. The Board of Directors then 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 30%, this disclosure requirement must be fulfilled under the conditions set forth above, each time the shareholder crosses a multiple of 0.5% of the share capital or voting rights.

Failure to disclose these thresholds as set forth in the first two paragraphs above shall result in those shares that should have been disclosed being disqualified for voting purposes at general meetings, if 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.

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SIGNIFICANT CONTRACTS

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22.1 SIGNIFICANT CONTRACTS

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.

CONDITIONS OF SUPPLY OF ELECTRICITY TO CHLORINE-PRODUCING SITES

Electricity requirements needed for the operation of chlorine-producing sites are covered by purchases from the EXELTIUM consortium and EDF.

The setting-up of the EXELTIUM consortium was made possible by the rectificative Finance Act n° 2005-1720 of 30 December 2005; its main purpose is the purchase and resale of electricity under long-term contracts. Arkema France is a founding member of EXELTIUM alongside six other "electricity-intensive" industrial companies.

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 delivered, price and industrial risk-sharing with respect to this long-term electricity supply. Its principle consists in consortium companies paying part of the electricity to EDF in advance, allowing EXELTIUM to benefit from drawing rights on the basis of the price structure of a nuclear power plant.

From 2011, EXELTIUM began supplying a major part of the electricity requirements of the chlorine-producing sites, with additional requirements being covered by purchases from EDF through a long-term electricity supply agreement the terms of which take account in particular of the highly specific consumption profile of chlorine-producing sites (Fos-sur-Mer, Jarrie, Lavéra and Saint-Auban), namely constant rate of consumption (24 hours a day, 365 days a year), which provides synergies with electricity produced from nuclear power, and reduction at EDF's request of the power consumption of these sites to relieve the transport network.

As of the date of this reference document, ARKEMA considers that the conditions of supply it benefits through EXELTIUM consortium are competitive, reliable and sustainable.

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 sets out the rights and obligations of each party for the 15 years left to run.

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.

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

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

PARTNERSHIP WITH CJ CHEILJEDANG FOR THE INSTALLATION OF A THIOCHEMICALS PLATFORM IN ASIA

A partnership agreement has been reached on 12 March 2012 with Korean company CJ CheilJedang (CJ) for the construction of a Thiochemicals platform in Malaysia, entailing the following two components:

- a bio-methionine plant based on a process developed from the combined know-how of ARKEMA (methyl mercaptan chemistry) and of CJ (fermentation process). This plant will be run by a 86% CJ/14% ARKEMA joint venture; and
- thiochemicals plants comprising a methyl mercaptan plant and downstream thiochemical derivatives plants. These plants will be run by a 86% ARKEMA / 14% CJ joint venture.

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 VCM from Fos-sur-Mer and Lavéra 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.

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 Lavéra, for use at Arkema France's sites and facilities at Carling, Balan, Jarrie, Fos-sur-Mer and Lavéra, respectively. The product is delivered to Arkema France's sites and facilities by pipelines belonging to Total S.A. or to the LyondellBasell 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). This contract concerns in part the Vinyl Products segment activities which are the subject of a divestment project (see section 4.3.3 of this reference document).

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 Lavéra or from the refinery at La Mède, for use at Arkema France's sites and facilities at Carling (Acrylics) and Lavéra (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.

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 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.

22.1.3 Agreements 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 had been supplying acrylic acid and acrylic derivatives (particularly esters), as well as phthalic anhydride, to various subsidiaries of Total S.A. These supplies represented a major part of the sales of the Acrylics BU, and contributed substantially to its profits. Since the acquisition by ARKEMA of Total's specialty resins activities on 1 July 2011, the vast majority of this feedstock is being used in house by ARKEMA, within its new Photocure Resins BU.

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 29 to the consolidated financial statements at 31 December 2011 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.

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INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

None.

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DOCUMENTS AVAILABLE TO THE PUBLIC

24.1 PLACE WHERE DOCUMENTS AND INFORMATION RELATING TO THE COMPANY MAY BE CONSULTED 232

24.2 ANNUAL DOCUMENT PREPARED IN ACCORDANCE WITH ARTICLES 222-7 AND 221-1 OF THE GENERAL REGULATIONS OF THE AUTORITÉ DES MARCHÉS FINANCIERS 232

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
January 2011	
06/01/2011	Arkema announces major increase in fluorinated polymer (Kynar®) capacity at its Changshu plant in China
February 2011	
14/02/2011	Luc Benoit-Cattin will be joining the Arkema Group on 1 March 2011
March 2011	
02/03/2011	2010 financial results
30/03/2011	Arkema, a major supplier in the paint and coating industry in 2011
31/03/2011	Arkema files its 2010 reference document
April 2011	
01/04/2011	Alphacan announces a plan to divest its pipe business in France
07/04/2011	Green light from European Commission for roll-out of Jarrie PPRT: new phase for Arkema site's industrial project
11/04/2011	CJ CheilJedang and Arkema announce a project to build the world's first bio-methionine plant and a thiochemicals platform in Asia
13/04/2011	Arkema successfully starts up Kynar® fluorinated polymer production plant in China in a strong growth market
May 2011	
05/05/2011	1st quarter 2011 financial results
24/05/2011	Annual General Meeting
June 2011	
15/06/2011	Arkema and Canada Fluorspar Inc. sign a memorandum of understanding to develop together a fluorspar mine in Canada
July 2011	
01/07/2011	Arkema completes the acquisition of Total's coatings resins and photocure resins
August 2011	
02/08/2011	1st half year 2011 financial results
12/08/2011	Arkema and CJ CheilJedang select Malaysia for their bio-methionine and thiochemicals plants

Date	Title
October 2011	
11/10/2011	Arkema continues the rapid growth of its Changshu industrial platform in China
11/10/2011	Extension of Forane® 125 production capacity and construction of a refrigerant blend unit on Changshu site
November 2011	
08/11/2011	Arkema announces a project to acquire a complete range of specialty chemicals from Seppic
09/11/2011	3rd quarter 2011 financial results
10/11/2011	Arkema confirms its project to reorganise its Jarrie site
21/11/2011	Arkema continues to expand in specialty polyamides with the acquisition of Chinese companies Hipro Polymers and Casda Biomaterials
23/11/2011	Arkema refocuses on specialty chemicals and announces a plan to divest its Vinyl Products activities
December 2011	
16/12/2011	Opening by the European Commission of proceedings concerning anti-competitive arrangements and abuse of a dominant position
January 2012	
04/01/2012	Arkema completes its acquisition of a full range of specialty chemicals from Seppic
February 2012	
01/02/2012	Arkema speeds up its development in Asia and in green chemistry with the closing of the acquisition of Hipro Polymers and Casda Biomaterials
27/02/2012	Partnership between Elevance Renewable Sciences and Arkema to develop biosourced polymers
March 2012	
08/03/2012	2011 financial results

Financial presentations

Financial presentations are available on the Company's website (www.finance.arkema.com).

Date	Type of information
06-07/01/2011	Presentation – Oddo Mid Cap Forum
02/03/2011	Presentation – 2010 full year results
23/03/2011	Presentation – Exane BNP Paribas 6th Basic Materials Seminar
24/03/2011	Presentation – Nomura Global Chemicals Industry Leaders
05/05/2011	Presentation – 1st quarter 2011 results
08-09/06/2011	Presentation – UBS Global Basic Materials Conference 2011
02/08/2011	Presentation – First half 2011 results
September 2011	Presentation – Roadshow "Arkema's first half 2011 results"
28/09/2011	Presentation – Cheuvreux Autumn Conference
04/10/2011	Presentation – Berenberg Bank – Berenberg Chemical Sector
11/10/2011	Presentation – Press trip to China
09/11/2011	Presentation – 3rd quarter 2011 results
23/11/2011	Presentation – Planned divestment of Vinyl Products activities
30/11/2011	Presentation – Société Générale The Premium Review
07/12/2011	Presentation – Bank of Armerica Merrill Lynch – European Chemical Conference
05-06/01/2012	Presentation – Oddo MidCap Forum
08/03/2012	Presentation – 2011 full year results

List of BALO publications

BALO publications are available on the BALO website (www.journal-officiel.gouv.fr/balo/).

Date	Type of information
25/03/2011	Convocation – Shareholders meeting (Notice of meeting)
22/04/2011	Convocation – Shareholders meeting (Notice of meeting)
01/06/2011	Periodical publications – Commercial and Industrial Companies (Annual accounts)
23/03/2012	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
21/01/2011	Updated Articles of Association
21/01/2011	Minutes of Board of Directors
24/05/2011	Minutes of combined general meeting
24/05/2011	Updated Articles of Association
30/06/2011	Updated Articles of Association
01/08/2011	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
11/01/2011	Shares and voting rights monthly statements as of 31 December 2010
16/02/2011	Shares and voting rights monthly statements as of 31 January 2011
08/03/2011	Shares and voting rights monthly statements as of 28 February 2011
31/03/2011	2010 reference document
08/04/2011	Shares and voting rights monthly statements as of 31 March 2011
11/05/2011	Shares and voting rights monthly statements as of 30 April 2011
05/05/2011	Financial information 1st quarter 2011
24/05/2011	ARKEMA annual general meeting of 24 May 2011
09/06/2011	Shares and voting rights monthly statements as of 31 May 2011
18/07/2011	Shares and voting rights monthly statements as of 30 June 2011
02/08/2011	2011 half-yearly financial report
02/09/2011	Shares and voting rights monthly statements as of 31 July 2011
05/10/2011	Shares and voting rights monthly statements as of 31 August 2011
10/10/2011	Shares and voting rights monthly statements as of 30 September 2011
07/11/2011	Shares and voting rights monthly statements as of 31 October 2011
09/11/2011	Financial information 3rd quarter 2011
07/12/2011	Shares and voting rights monthly statements as of 30 November 2011
11/01/2012	Shares and voting rights monthly statements as of 31 December 2011
09/02/2012	Shares and voting rights monthly statements as of 31 January 2012
16/03/2012	Shares and voting rights monthly statements as of 29 February 2012

Other information

Type of information	Date and publication support
Share buy-back statement for week 20/08/2011 to 26/08/2011	www.finance.arkema.com
Share buy-back statement for week 05/09/2011 to 09/09/2011	www.finance.arkema.com
Share buy-back statement for week 07/11/2011 to 10/11/2011	www.finance.arkema.com

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INFORMATION ON SHARES HELD BY THE COMPANY

Information related to the companies acquired by the Group in 2011 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 2-2 Uchisaiwaicho 2 – Chiyoda-Ku, Tokyo 100,0011	Japan	Production and marketing of PVC stabilizers	100*	100	O
Alphacan	Espace Lumière Batiment 451 Bd de la République, BP 10019 78401 Chatou Cedex	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 D.o.o.	Zagrebaka 93, Prigorje Brdoveko, Zagreb	Croatia	Marketing of PVC profiles	100*	100	O
Alphacan S.p.A.	Via Santa Caterina 60/C 38062 Arco (Trento) Italy	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	c/o Mazars Tower Bridge House St Katherine's Way London E1W 1DD	United Kingdom	Marketing of PMMA sheets	100*	100	D
Altuglas International Mexico Inc.	2711 Centerville Rd Suite 400 Wilmington DE 19808	United States	Distribution of PMMA in Mexico and import of finished products (acrylic and plastic)	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 International S.A.S.	89 boulevard National 92250 La Garenne Colombes	France	Production and marketing of PMMA sheets	100*	100	O
American Acryl L.P.	2711 Centerville Rd Suite 400 Wilmington, DE 19808	United States	Production of acrylic acid	50*	50	O
American Acryl NA, LLC	2711 Centerville Rd Suite 400 Wilmington, DE 19808	United States	Holding company	50*	50	H
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 fluorochemicals	100*	100	O
Arkema Chemicals India Private Ltd (1)	Plot n° D 43/1Trans Thane Creek MIDC Industrial Area Junagar 400706, Navi Numbai	India	Production and marketing of chemical 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	7F Dongqung B/D 1768, Yoido-Dong Youngdeungpo-gu 150-874 Seoul	South Korea	Production and marketing of chemical products	100*	100	O
Arkema Coatings Resins B.V. (1)	Mercuriusweg 14,6971 GV Brummen	Netherlands	Production and marketing of coating resin products	100*	100	O
Arkema Coatings Resins SAU (former name Alphacan Espana Transformados SAU)	12, avenida de Burgos 28036 Madrid	Spain	Studies and development of all kinds of projects directly or indirectly related to the chemical industry	99.9*	99.9	O
Arkema Coating Resins Malaysia SDN BHD (1)	Plot 491, Jalan Keluli Pasir Gudand Industral Estate 81700 Pasir Gudang	Malaysia	Manufacture and marketing of alkyd products and polyester resins	100*	100	O
Arkema Coatings Resins S.r.l (former name Altuglas Polivar S.r.l)	Via Finghè 2 42022 Boretto	Italy	Production and marketing of all kinds of chemical products, production and sale of industrial facilities and supply of services	100*	100	O
Arkema Coatings Resins UK	Laporte Road Stallingborough, nr Grimsby DN41 8DR N.E. Lincolnshire	United Kingdom	Production and marketing of coatings resin 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 Afrique SAS (former name DIFI 2)	420, rue d'Estienne d'Orves 92700 Colombes	France	Holding company	100*	100	H
Arkema Amériques S.A.S.	420, rue d'Estienne d'Orves 92700 Colombes	France	Holding company	100	100	H
Arkema Asie S.A.S.	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.	c/o Blaney McMurtry, LLP 2 Queen Street East, suite 1500 Toronto, Ontario M5C 3G5,1100 Burloak Drive – Suite 107 Burlington, Ontario	Canada	Production of hydrogen peroxide and marketing of chemical products	100*	100	O
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 Chemicals India Private Ltd (1)	Plot n° D 43/1Trans Thane Creek MIDC Industrial Area Junagar 400706, Navi Numbai	India	Production and marketing of chemical products	100	100	O
Arkema Daikin Advanced Fluorochemicals (Changshu) Co., Ltd	Fluorochemical Industrial Park of Changshu Economic Development – Zone Jiangsu Haiyu town 215522 Changshu	China	Production and marketing of chemical products	60*	60	O
Arkema Delaware Inc.	2711 Centerville Road, Suite 400, Wilmington DE 19808	United States	Holding company	100*	100	H
Arkema Europe	420, rue d'Estienne d'Orves 92700 Colombes	France	Holding company	100	100	H
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 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.	900 First Avenue King of Prussia, PA 19406	United States	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

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 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.	Tankhoofd 10 Haven 32553196 KE Vondelingenplaat	Netherlands	Holding company	100*	100	H
Arkema PEKK Inc. (former name Oxford Performance Materials Inc.)	Corporation Trust 1209 Orange street Wilmington DE 19808	United States	Ultra high performance polymers	100*	100	O
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 Street Dublin 2	Ireland	Captive reinsurance company	100*	100	O
Arkema Ré (former name Sequoia SAS)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	F
Arkema Resins (Pty) Ltd (1)	Po box 32211 Mobeni 4060 Kwa Zulu Natal	South Africa	Production and marketing of coatings resin products	100*	100	O
Arkema Rotterdam B.V.	Tankhoofd 10 Haven 32553196 KE Vondelingenplaat	Netherlands	Production and marketing of thiochemical products	100*	100	O
Arkema (Shanghai) Distribution Co., Ltd	D Part, No. 28 Warehouse, n 500, Fu Te Road (No. 2 East) Shanghai Wai Gao Qiao Free Trade Zone Shanghai	China	Marketing of chemical products	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
Arkema Spar NL Limited Partnership (2a)	c/o Stewart, McKelvey, suite 1100 Cabot Place 100 New Gower Street P.O. Box 5038, St-John's NL A1C 6K3	Canada	Production and marketing of chemical products	100*	100	O
Arkema SP Z.o.o	Ul.Marynarska 19 a 02-674 Warsaw	Poland	Production and marketing of chemical products	100*	100	O
Arkema S.r.l	Via Pregnana, 63 20017 Rho (Milan)	Italy	Production and marketing of chemical products	100*	100	O
Arkema Thiochemicals Sdn Bhd (3)	Suite 16-10 Level 16, wisma, UOA A II 21 Jalang Penang 50450 Kuala Lumpur	Malaysia	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 Belgium (4)	Avenue Louise 149/24 1050 Brussels	Belgium	Production and marketing of specialty chemical products	100*	100*	O
Ceca Italiana S.r.l	5153 Via Galileo Galilei 20096 Piotello (MI)	Italy	Production and marketing of activated carbon and agents	100*	100	O
CECALC (former name DIFI 3)	420 rue d'Estienne d'Orves 92700 Colombes	France	Production, processing, distribution, marketing of all chemical products and plastics and their derivatives, various by-products and all parachemical products	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 Coatex Additives Co, Ltd	N° 18, Haining Road, Jiangsu Hi-Tech Fluorochemical Industrial Park, Changshu Jiangsu Province 215522 PRC Chine Fluorochemical Industrial Park of Changshu Economic Development – Haiyu town 215522 Changshu	China	Production and marketing of 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

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
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 Asia Pacific Inc.	1635-1 Soryong-Dong Kunsan City Jeongbuk Province	Korea	Production and marketing of chemical products	100*	100	O
Coatex Central Eastern Europe S.r.o.	Tomasikova 30 Bratislava 821 01	Slovakia	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 Netherlands B.V.	Middenweg 47 4782PM Moerdijk	Netherlands	Production and marketing of chemical products	100*	100	O
Coatex S.A.S.	35, rue Ampère 69730 Genay	France	Production and marketing of chemical products	100*	100	O
Daikin Arkema Refrigerants Trading (Shanghai) Co Ltd	Room 702 555 West Nanjing Rd, Jing'an Shanghai	China	Import - Export of fluorine chemical products	40*	40	D
Daikin Arkema Refrigerants Asia Ltd	Suite n° 4, 15 F, Sina Plaza, 255-257 Gloucester Road Causeway Bay - Hong Kong	China	Marketing of chemical products	40*	40	D
Delaware Chemicals Corporation	2711 Centerville Road Suite 400, Wilmington, DE 19808	United States	Holding company	100*	100	H
Dorlyl SNC	297 rue des Chantiers BP 1152 76063 Le Havre Cedex	France	In liquidation	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
Harveys Composites South Africa (1)	4, Baltex Road 4110 Isipingo Rail	South Africa	Production and marketing of PMMA sheets	100*	100	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
MEGLAS	Via Delle Industrie, 15 3510 Villafranca Padovana	Italy	Marketing of chemicals and PMMA sheets	33*	33	O
Michelet Finance Inc.	Corporate Trust 1209 Orange Street Wilmington DE 19808	United States	Financial services	100*	100	F

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
MLPC International	209, avenue Charles Despiau 40370 Rion-des-Landes	France	Production and marketing of additives for the rubber industry	100*	100	O
Newspar (2b)	c/o Cox 1 Palmer Scotia Center, Suite 1000 235 Water Street Saint John's, NL A1C 1B6	Canada	Production and marketing of chemical products	50*	50	
Noble Synthetics Private Limited (1)	Plot N° D 43/5, Trans Thane Creek, MIDC Industrial Area 400706 India Navi Numbai	India	Production and marketing of chemical products	100*	100	O
ODOR – TECH – LLC	2711 Centerville Road, Suite 400, Wilmington, DE 19808	United States	Marketing of chemical products	100*	100	D
Oxochimie	420, rue d'Estienne d'Orves 92700 Colombes	France	Production of butanol and 2-EH	50*	50	O
Ozark Mahoning Company	2711 Centerville Road Suite 400, Wilmington DE 19808	United States	Dormant company	100*	100	
Peninsula Polymers LLC (1)	Corporation Trust 1209 Orange street Wilmington DE 19808	United States	Production and marketing of chemical products	100*	100	O
Plasgom SAU	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
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 S.r.l	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 S.r.l de C.V.	Poniente 2 n° 17 Ciudad Industrial Matamoros Tamaulipas 87499 Mexico	Mexico	Production and marketing of vinyl compounds	100*	100	O
Sartomer Asia Limited (1)	Unit 1106, 11/F, DCH Commercial Centre, 25 Westlands Roads	Hong Kong	Production and marketing of chemical products	100*	100	O
Sartomer Guangzhou Chemicals Co., Ltd (1)	N° 26, the 4th Southern Road Xiaohu Island, Nansha District	China	Production and marketing of chemical 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
Sartomer Japan Inc. (1)	Technical Center 1 F N Yokohama business Park 134 GODO-CHO HODOGAYA-KU – 2400005 KANAGAWA	Japan	Production and marketing of chemical products	100*	100	O
Sartomer Shanghai Distribution Company Limited (1)	C Part, 28 Warehouse 500 Fute Esat 2 Road, Waigaoqiao Shanghai	China	Production and marketing of chemical products	100*	100	O
Sartomer USA LLC (1)	CT Corporation 1209 Orange street 19801 Wilmington DE	United States	Production and marketing of chemical products	100**	100	O
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	United States	Production and marketing of plastic additives	50*	50	O
Sunclear	280 avenue de la Marne Marcq-en Barœul	France	Marketing of plastic sheets	100*	100	D
Sunclear S.A. Unipersonal	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
Sunclear S.r.l.	Via Per Villapia 27 20010 Cazorezzo (Milan)	Italy	Marketing of PMMA	100*	100	D
Turkish Products Inc.	2711 Centerville Road Suite 400, Wilmington, DE 19808	United States	Dormant company	100*	100	
Viking Chemical Company	380 Jackson Street suite 418 Saint Paul, MN 55101	United States	Production of epoxied vegetable oils	100*	100	O
Vinylfos	420, rue d'Estienne d'Orves 92700 Colombes	France	VCM production	100*	100	O

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 Energie	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	D
Arkema International	47, route des Acacias CH-1211 Geneva	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 Mexico Servicios S.A. (5)	Via Gustavo Baz 2160 Planta Alta Modulo 3 - Fracc Ind La Loma – Tlalnepantla 54070	Mexico	Supply of services	100*	100	O
Arkema Sdn Bhd	N° 21 2 Floor Jalan USJ/10 47620 SELANGOR	Malaysia	Distribution of chemicals	100*	100	D
Arkema Spar NL Inc (2c)	c/o Stewart, McKelvey Suite 1100, Cabot Place 100 New Gower Street P.O. Box 5038, St John's NL A1C 6K3	Canada	Mining products	100*	100	O
Arkema S.r.o.	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 in Turkey	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 4 (6)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	H
DIFI 5 (6)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	H
DIFI 6 (7)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	H
DIFI 7 (7)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	H
DIFI 8 (7)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100*	100	H
DIFI 9 (7)	420, rue d'Estienne d'Orves 92700 Colombes	France	Dormant company	100	100	H
Elemica Inc.	Wayne, Pennsylvania (Suburban Philadelphia)	United States	Distribution of chemical products by e-commerce	5.2*	5.2	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
Exeltium	43, Boulevard Malesherbes 75008 Paris	France	Buying and selling of electricity	9.96*	9.96	D
Exeltium 2	43, Boulevard Malesherbes 75008 Paris	France	Buying and selling of electricity	12.05*	12.05	D
Fonds Lorrain de Consolidation "F.L.C" SAS	Metz Technopole L'Ecotech 3 rue Marconi 57070 Mey	France	Business start-up assistance in Lorraine region via equity participation, financial aid, etc.	3.7*	3.7*	F
Fosfanil S/A	Av. Ibirapuera N° 2033, 4° andar 04029 – 901 Sao Paulo	Brazil	Dormant company	96.58*	96.58	
ImpEl MicroChip Ltd	43 Mavo Ha horesh har-adar 90836	Israel	Production of photovoltaic cells	15.08*	15.08	O
MAURIENNE EXPANSION	le Pré de la Garde 73300 St Jean De Maurienne France	France	Promotion of economic expansion of La Maurienne	3.13*	3.13	
PIEZOTECH	9, rue de Colmar, 68220 Hésingue	France	Production and sale of piezo-electric and pyro-electric elements and components	99*	99*	O
Polimeri Termoplastici S.r.l (Politerm)	Via E. Melatello 271 47034 Forlimpoli	Italy	In liquidation	21*	21	D
SCI agricole de Parapon	La Saline 30600 Vauvert	France	Operation of land at Parapon (Gard)	100*	100	
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
Vetek S.A.	Avenue del Libertador 5480 – Piso 11 (C1426BXP) Buenos Aires	Argentina	Distribution of chemicals	60*	60	D

(1) Shareholding acquired on 1 July 2011
(2a)Creation on 7 September 2011
(2b)Shareholding acquired on 7 September 2011
(2c)Creation on 31 August 2011
(3) Creation on 11 November 2011
(4) Shareholding acquired on 31 December 2011
(5) Creation on 11 November 2011
(6) Creation on 1 March 2011
(7) Creation on 21 December 2011

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ANNEX 1 – STATUTORY AUDITORS' REPORT 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.

KPMG Audit
Département de KPMG S.A.
1, cours Valmy
92923 Paris La Défense Cedex

Commissaire aux comptes
Membre de la Compagnie de Versailles

Ernst & Young Audit
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux comptes
Membre de la Compagnie de Versailles

Arkema S.A.
Registered office: 420, rue d'Estienne d'Orves – 92700 Colombes
Share capital: €618,645,770

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.

Year ended 31 December 2011

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 2011.

It is the Chairman's responsibility to prepare and submit to the Board of Directors' approval a report describing the internal control and risk management procedures 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 and risk management procedures relating to the preparation and processing of the accounting and financial information; and
- confirm that this report contains the other information required under article L. 225-37 of the French Commercial Code, 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 and risk management 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 and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board 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, 8 March 2012
The statutory auditors
French original signed by

KPMG Audit
Département de KPMG S.A.
Bertrand Desbarrières
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 de Versailles

Ernst & Young Audit

1/2, place des Saisons

92400 Courbevoie – Paris-La Défense 1

S.A.S. à capital variable

Commissaire aux comptes

Membre de la Compagnie de Versailles

Arkema S.A.
Registered office: 420, rue d'Estienne d'Orves - 92700 Colombes
Share capital: €618,645,770

Special report by the statutory auditors on regulated agreements and commitments

Year ended 31 December 2011

To the shareholders, Ladies and Gentlemen,

In our capacity as statutory auditors of your Company, we hereby report on the regulated agreements and commitments advised to us.

Our role is to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments that were notified to us or may have come to our attention during our assignment, without being required to comment as to whether these are beneficial or appropriate, or to ascertain whether any other agreements and commitments exist. It is your responsibility, in accordance with article R. 225-31 of the French Commercial Code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

Furthermore, we are required, where applicable, to report to you information set out under article R. 225-31 of the Commercial Code relating to the execution, in the year ended 31 December 2011, of the agreements and commitments already approved by the annual general meeting.

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.

Agreements and commitments requiring approval by the annual general meeting

Agreements and commitments authorized in the year ended 31 December 2011

In accordance with article L. 225-40 of the French Commercial Code, we were advised of the following agreements and commitments, which had received prior approval by your Board of Directors:

With the company Arkema France S.A.

Arkema S.A. and Arkema France concluded a renewable multi-currency syndicated credit facility of up to €700 million with a syndicate of banks on 26 July 2011.

The purpose of this credit facility is to finance, in the form of drawings and bank guarantees, the ARKEMA Group's general corporate purposes until 26 July 2016.

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.

This line of credit had not been used at 31 December 2011.

Agreements and commitments authorised since the year ended 31 December 2011

We were advised of the following commitment, authorised since the year ended 31 December 2011, that was subject to prior authorisation by your Board of Directors meeting on 7 March 2012 under the provisions of article L. 225-42-1 paragraph 4, providing for the approval of the commitments entered into for the benefit of the Chairman and Chief Executive Officer each time his term of office is renewed. This commitment requires the approval of the general meeting on 23 May 2012 subject to the renewal.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

The Board of Directors meeting on 7 March 2012 amended the fifth criterion related to the performance conditions triggering the contractual indemnity which would be granted to Thierry Le Hénaff in the event of non-voluntary early termination of his contract. This new agreement amends the previous agreement, authorised by the Board of Directors meeting on 4 March 2009 and approved by the general meeting of 15 June 2009, which was covered in our special report dated 5 March 2009.

Following this decision by the Board of Directors meeting on 7 March 2012 and pursuant to article L. 225-42-1 of the French Commercial Code, in the event of non-voluntary early termination of contract or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff shall benefit from a redundancy payment the amount of which shall be calculated on the basis of the fulfilment of the performance conditions by the beneficiary, with regard to the Company's performance, and shall not exceed twice his total annual gross compensation for the year in question.

The performance conditions are based on five criteria: one criterion related to safety (total recordable injury rate), one external criterion (growth in EBITDA margin compared to that of a given reference panel in the chemical industry), and three financial criteria (working capital, EBITDA margin, return on capital employed).

- First criterion: TRIR (total recordable injury 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. The reference index applicable for the calculation shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable shall be the index average calculated at Group level over the two accounting periods preceding the date of early termination.
- Second criterion: the growth in EBITDA margin over sales shall be compared to that of chemical manufacturers in competition with and comparable to Arkema (BASF (excluding oil & gas), Clariant, Lanxess, Solvay (chemicals), DSM, and AkzoNobel (chemicals)). The growth in Arkema's EBITDA margin shall be at least equal to the average growth in the EBITDA margins of the companies in the reference panel. The reference index applicable for the calculation shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable shall be the index average calculated at Group level over the two accounting periods preceding the date of early termination.
- Third criterion: the year-end working capital requirement (WCR) over consolidated 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. The reference index applicable for the calculation shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable shall be the index average calculated at Group level over the two accounting periods preceding the date of early termination. The ratio shall be calculated at constant exchange rate in the event of a significant change in the Group's business base, and working capital shall be assessed at a constant scope of business.
- Fourth criterion: the EBITDA margin over consolidated sales ratio 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. The reference index applicable for the calculation shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable shall be the index average calculated at Group level over the two accounting periods preceding the date of non voluntary early termination.
- Fifth criterion: If the average of net operating income over average capital employed (recurring operating income – actual income tax on current business/capital employed – provisions) for the last 3 years prior to the date of early termination of contract, exceeds the cost of capital (8.5%), the criterion shall be deemed fulfilled. Capital employed and provisions are those for year-end, and recurring operating income for acquisitions made during the year shall be assessed on a full year basis and corrected for divestments.

If four or five criteria have been fulfilled, Thierry Le Hénaff shall receive 100% of the sums provided for in the event of early termination of contract.

If three out of five criteria have been fulfilled, Thierry Le Hénaff shall receive 75% of the sums provided for in the event of early termination of contract.

If two out of five 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 two criteria have been fulfilled, Thierry Le Hénaff shall receive 0% of the sums provided for in the event of early termination of contract.

Agreements and commitments already approved by the annual general meeting

Agreements and commitments approved in prior years which remained in effect during the year ended 31 December 2011

In accordance with article R. 225-30 of the French Commercial Code, we were advised that the following agreements and commitments, approved in prior years, remained current in the year ended 31 December 2011.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In the event of non-voluntary early termination of contract or termination linked to a change of control of the Company or a change of strategy decided by the Board of Directors, and except in the event of serious or gross misconduct, Thierry Le Hénaff shall benefit from a redundancy payment the amount of which shall be calculated on the basis of the fulfilment of the performance conditions by the beneficiary, with regard to the Company's performance, and shall not exceed twice his total annual gross compensation for the year in question.

The performance conditions are based on five criteria: one criterion related to safety (total recordable injury rate), one external criterion (growth in EBITDA margin compared to that of a given reference panel), and three financial criteria (working capital, EBITDA margin, fixed costs). The reference index applicable for the calculation of the five performance criteria shall be the index corresponding to the Arkema Group data at 31 December 2005, and the value of the index at year-end applicable for the calculation of all criteria shall be the index average calculated at Group level over the two accounting periods preceding the date of early termination.

The performance conditions related to the above-mentioned five quantitative criteria are set out in detail in our special report of 5 March 2009.

With Mr Thierry Le Hénaff, Chairman and Chief Executive Officer of your Company

In addition to the general pension schemes for employees of the Group, 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 2011, to an annual retirement pension equal to 27% 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 S.A. 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 2011.

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. Arkema reduced this credit facility before the due date to €300 million on 26 July 2011.

The agreement provides for other entities of the Arkema Group to withdraw cash on this credit facility. The credit facility provides situations for early reimbursement, including a change of control over 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.

This credit facility was not used at 31 December 2011.

Paris La Défense, 16 March 2012

The statutory auditors

French original signed by

KPMG Audit

Département de KPMG S.A.

Bertrand Desbarrières
Partner

Ernst & Young Audit

François Carrega
Partner

Valérie Quint
Partner

ANNEX 3 – DRAFT AGENDA OF THE COMBINED GENERAL MEETING ON 23 MAY 2012

Agenda

Resolutions proposed to the ordinary general meeting:

- Approval of the Company's financial statements for the financial year ended 31 December 2011.
- Approval of the consolidated financial statements for the financial year ended 31 December 2011.
- Allocation of the net income for the financial year ended 31 December 2011.
- Distribution of an amount deducted from the "paid-in surplus" account after deduction of negative retained earnings.
- The statutory auditors' special report on the agreements referred to in article L. 225-38 *et seq.* of the French Commercial Code.
- The statutory auditors' special report on the agreements referred to in article L. 225-42-1 of the French Commercial Code.
- Renewal of the appointment of Mr Thierry Le Hénaff as director.
- Renewal of the appointment of Mr Jean-Pierre Seeuws as director.
- Renewal of a principal statutory auditor.
- Renewal of an alternate statutory auditor.
- Authorisation to be given to the Board of Directors to trade in the Company's shares.

Resolutions proposed to the extraordinary general meeting:

- Delegation of authority given to the Board of Directors to issue shares of the Company and/or negotiable securities granting access to the shares of the Company or one of its subsidiaries, while maintaining the shareholders' preferential subscription right.
- Delegation of authority given to the Board of Directors to issue shares of the Company and/or negotiable securities granting access to the shares of the Company or one of its subsidiaries, by an offer to the public, without the shareholders' preferential subscription right.
- Authorisation given to the Board of Directors, in the event of an increase of the share capital with or without the shareholders' preferential subscription right, to increase the number of securities to be issued pursuant to the two previous resolutions.
- Overall limitation of the authorisations to increase the share capital, immediately and/or in future.
- Delegation given to the Board of Directors to carry out increases of the share capital reserved for the members of a company savings plan.
- Authorisation given to the Board of Directors to grant options to subscribe for or options to purchase shares of the Company, to certain employees of the Group, as well as to directors of the Company or to the directors of companies of the Group.
- Authorisation given to the Board of Directors to grant shares of the Company free of charge.
- Powers for formalities.

ANNEX 4 – DRAFT RESOLUTIONS PROPOSED TO THE COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING ON 23 MAY 2012

Draft resolutions proposed to the Ordinary General Meeting

First resolution

(Approval of the Company's financial statements for the financial year ended on 31 December 2011)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the Company's annual financial statements for the financial year that ended on 31 December 2011, as well as the Board of Directors' reports and the statutory auditors' general report, approves the Company's annual financial statements for the financial year that ended on 31 December 2011, as well as the operations reflected in these financial statements and summarised in these reports.

In accordance with the provisions of Article 223 quater of the French General Tax Code (*Code Général des Impôts*), the Ordinary General Meeting formally noted that none of the expenses and charges referred to in Article 39-4 of said Code were incurred during the financial year ended.

Second resolution

(Approval of the consolidated financial statements for the financial year ended on 31 December 2011)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the consolidated financial statements for the financial year that ended on 31 December 2011, as well as the Board of Directors' report on the Group's management and the statutory auditors' report on the consolidated financial statements, approves the consolidated financial statements for the financial year that ended on 31 December 2011, as well as the operations reflected in these financial statements and summarised in these reports.

Third resolution

(Allocation of the net income for the financial year that ended on 31 December 2011)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, formally notes that the financial statements for the financial year that ended on 31 December 2011 shows a net loss of €289,358, 549.28.

Based on a proposal by the Board of Directors, the General Meeting decides to allocate this loss of €289,358,549.28 to retained earnings as follows:

Financial year's loss	€(289,358,549.28)
Retained earnings from previous financial year	€114,713,760.01
New balance of retained earnings	€(174,644,789.27)

Fourth resolution

(Distribution of an amount deducted from the «paid-in surplus» account, after deduction of negative retained earnings)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the Board of Directors' report, formally notes that the distributable reserves for the financial year that ended on 31 December 2011, totalled €1,020,998,910.60, less negative retained earnings (€(174,644,789.27)), *i.e.* a total amount of €846,354,121.33 and decides, as proposed by the Board of Directors, to distribute a dividend, to be deducted from the reserve account "paid-in surplus" as follows:

Paid in surplus	€1,020,998,910.60
Retained earnings	€(174,644,789.27)
Balance of paid in surplus less retained earnings	€846,354,121.33
Distributed dividend	€(80,423,950.10)
New Balance of the Distributable Reserves	€765,930,171.23

Accordingly, the General Meeting decides to pay on the 61,864,577 shares bearing dividend right on 1 January 2011 and existing on the date of the Board of Directors' meeting held to draw up the draft resolutions, a dividend of €80,423,950.10, corresponding to a distribution of €1.30 per share, it being specified that full power is granted to the Board of Directors to have the latter record under "retained earnings" the fraction of the dividend corresponding to the Company's treasury shares.

The General Meeting authorises the Board of Directors to deduct from the "paid-in surplus" account the amounts needed to pay the aforementioned dividend on the shares resulting from the subscriptions or allotments carried out prior to the dividend payment date and being entitled to said dividend. The ex dividend date for the financial year 2011 dividend shall be 29 May 2012 and the dividend shall be payable on 1 June 2012 on the positions closed on the evening of 31 May 2012.

This distribution is eligible for the 40% rebate to which individual persons domiciled in France for tax purposes are entitled, as indicated in Article 158 3 2° of the French General Tax Code.

It is hereby recalled that the following dividend was paid for the three previous financial years:

Financial Year	2008	2009	2010
Net dividend per share *(in euros)*	0.60 (1)	0.60 (1)	1.00 (1)

(1) Amounts eligible in full for the 40% rebate for individual persons domiciled in France for tax purposes, as indicated in Article 158 3 2° of the French General Tax Code.

Fifth resolution

(Agreements referred to in Articles L. 225-38 et seq. of the French Commercial Code)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings and after having considered the statutory auditors' special report, referred to in Article L. 225-40 of the French Commercial Code (*Code de commerce*), (i) approves said report, (ii) takes due note of the information concerning the agreements entered into and the commitments made during prior financial years and (iii) approves the transactions and agreements that were entered into during the financial year that ended on 31 December 2011 referred to in this report.

Sixth resolution

(Agreements referred to in Article L. 225-42-1of the French Commercial Code)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the statutory auditors' special report, takes note and declares its approval, in accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, of the agreement entered into with Mr Thierry Le Hénaff, mentioned in said report, provided that Mr Thierry Le Hénaff is reappointed as Chairman and CEO of Arkema by the Board of Directors.

Seventh resolution

(Renewal of the appointment of Mr Thierry Le Hénaff as director)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the Board of Directors' report, renews the appointment of Mr Thierry Le Hénaff as director for a term of four years, which will expire at the end of the General Meeting held to approve the 2015 financial statements.

Eighth resolution

(Renewal of the appointment of Mr Jean-Pierre Seeuws as director)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the Board of Directors' report, renews the appointment of Mr Jean-Pierre Seeuws as director for a term of four years, which will expire following the General Meeting held to approve the 2015 financial statements.

Ninth resolution

(Renewal of a statutory auditor)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, noting that the term of office of Ernst & Young, statutory auditor, will expire at the end of this General Meeting, decides to renew Ernst & Young Audit term of office for a period of six years, *i.e.* until the General Meeting that will be held to approve the financial statements for the financial year that will end on 31 December 2017.

Tenth resolution

(Renewal of an alternate auditor)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, noting that the term of office of Auditex, alternate auditor, will expire at the end of this General Meeting, decides to renew Auditex term of office for a period of six years, *i.e.* until the General Meeting that will be held to approve the financial statements for the financial year that will end on 31 December 2017.

Eleventh resolution

(Authorisation given to the Board of Directors to trade in the Company's shares)

The General Meeting, voting in the quorum and majority conditions required for ordinary general meetings, after having considered the Board of Directors' report, authorises the Board of Directors, with the right to sub-delegate, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, the General Regulation (Règlement Général) of the French Financial Markets Supervising Authority (Autorité des Marchés Financiers) and European Commission Regulation No. 2273/2003 of 22 December 2003, to buy, or to have others buy, shares of the Company, for up to 10% of the total number of the shares comprising the share capital. It is hereby stipulated that this 10% limit shall apply to a number of shares of the Company that will, if applicable, be adjusted to take account of the transactions affecting the share capital following this General Meeting, in the following conditions:

(i) the maximum purchase price must not exceed €95 per share;

however, the Board of Directors can adjust the aforementioned purchase price in the event of the incorporation of premiums, reserves or profits, giving rise to an increase of the nominal value of the shares, or to the creation and grant of free shares, as well as in the case of a stock split, or if shares are combined, or in the event of any other transaction concerning shareholders' equity, so as to reflect the impact of these transactions on the value of the share.

(ii) the maximum amount of the funds that can be used to implement this share buyback program is €100 million;

(iii) the acquisitions made by the Company pursuant to this authorisation cannot under any circumstances cause it to directly or indirectly hold more than 10% of the shares comprising the share capital;

(iv) the shares purchased and held by the Company shall be deprived of their voting right and shall not entitle the holder to payment of the dividend;

(v) these shares can be acquired or transferred at any time, with the exception of periods of public offers on the Company's shares, under the conditions and within the limits, notably, the volume and pricing conditions and limits, stipulated by laws and regulations in force on the date of the transactions in question, by any means, inter alia, on the market or over the counter, including by the acquisition or sale of blocks of shares, via the use of financial derivative instruments or bonds traded on a regulated market or over the counter, under the conditions stipulated by the market authorities and at the times that the Board of Directors or the person acting on the Board of Directors' delegation shall determine.

The General Meeting decides that these purchases of shares can be made with a view to any allotments permitted by law, whether currently or in future, and, inter alia, with a view:

(i) to implementing the market practices allowed by the French Financial Markets Supervising Authority, such as (a) the purchase of the Company's shares for holding and subsequent remitting for exchange or as payment within the scope of possible acquisitions, it being specified that the number of shares acquired with a view to their subsequent remittance for a merger, demerger or contribution transaction cannot exceed 5% of its share capital at the time of the acquisition or (b) purchase or sales transactions within the scope of a liquidity contract entered into with an investment services provider and consistent with the ethical charter recognised by the French Financial Markets Supervising Authority, as well (c) any market practice subsequently allowed by the French Financial Markets Supervising Authority or by the law;

(ii) to accepting and performing obligations, and, notably, to remit shares during the exercise of rights attached to negotiable securities granting access, by any means, whether immediately or in future, to shares of the Company, as well as to execute any hedging transactions involving the bonds of the Company (or those of one of its subsidiaries) linked to these negotiable securities, under the conditions stipulated by market authorities and at the times determined by the Board of Directors or by the person acting on the delegation of the Board of Directors;

(iii) to covering purchase option plans granted to employees or directors of the Company or of its group;

(iv) to allocating shares of the Company, free of charge to the employees or directors of the Company or of its group, under the conditions stipulated by Articles L. 225-197-1 *et seq.* of the French Commercial Code;

(v) to offering employees the right to acquire shares, whether directly, or via a company savings plan, under the conditions stipulated by law, notably, Articles L. 3332-1 *et seq.* of the French Labour Code (*Code du travail*);

(vi) to cancelling shares in order to reduce the Company's share capital.

The General Meeting decides that the Board of Directors shall inform the general meeting each year of the transactions carried out pursuant to this resolution, in accordance with Article L. 225-211 of the French Commercial Code.

The General Meeting grants full power to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, to place any stock market orders, enter into any agreements, draw up and modify any documents, in particular, information documents, perform all formalities, including, to allocate or reallocate the shares acquired for the various purposes pursued, and to make all declarations to the French Financial Markets Supervising Authority and to all entities, and, in general, to do everything necessary.

The General Meeting decides that this authorisation is given for a period of eighteen months from the date of this meeting or until the date of its renewal by an ordinary general meeting prior to the expiry of the aforementioned eighteen-month period. It shall render ineffective for its unused portion the eighth resolution of the combined general meeting held on 24 May 2011.

Resolutions proposed to the Extraordinary General Meeting

Twelfth resolution

(Delegation of authority given to the Board of Directors to issue shares of the Company and/or negotiable securities granting access to the shares of the Company or of one of its subsidiaries, while maintaining the shareholders' preferential subscription right)

The General Meeting, voting in 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, after having considered the Board of Directors' report and the statutory auditors' special report, noting that all of the share capital has been paid up:

(i) delegates to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, its authority to decide on one or more increases of the share capital via the issuance, against payment or free of charge, with maintenance of the shareholders' preferential right to subscribe to, (a) shares of the Company, (b) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of the Company and (c) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of a company in which the Company directly or indirectly holds more than one-half of the share capital (the "Subsidiary") and (d) negotiable securities granting right to the allotment of debt securities issued against payment or free of charge, governed by Articles L. 228-91 *et seq.* of the French Commercial Code, that can be subscribed for in cash, or by setting off receivables;

(ii) decides that the maximum nominal amount of the increase of the Company's share capital, whether immediate or in future, resulting from all of the issuances made pursuant to this delegation, is capped at €300 million, it being specified that this amount shall be charged against the total maximum amount stipulated in the 15th resolution and that it can be increased by the nominal amount of the Company's shares to be issued, if applicable, pursuant to adjustments made in accordance with the law and, if applicable, and with the contractual stipulations to protect the holders of rights attached to the negotiable securities granting access to the Company shares;

(iii) decides that the thus issued negotiable securities granting access to the shares of the Company or of a Subsidiary can consist of debt securities or be included in the issuance of said securities, or else, if they permit the issuance of said securities as intermediate securities. The debt securities issued pursuant to this delegation can, inter alia, take the form of subordinated or unsubordinated securities, perpetual or non-perpetual, and be issued in euros, in foreign currency, or in any monetary units determined by reference to several currencies.

The nominal amount of the thus issued debt securities cannot exceed €600 million or the equivalent of this amount on the date of the issuance decision, it being specified that (a) this amount does not include redemption premiums that are above par, if this was stipulated, (b) this amount includes all of the debt securities that could potentially be issued pursuant to the application of the 12th to 14th resolutions submitted to this meeting, (c) however, this amount is autonomous and separate from the amount of the debt securities, the issuance of which is decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code. The term of the loans, other than those that are represented by perpetual securities, cannot exceed 15 years. The loans can have fixed or variable rate interest or else, a rate that is within the limits stipulated by law, with capitalisation, and can be used for the granting of guarantees or securities, reimbursement, with or without a premium, or amortization; the shares can also be subject to stock market purchases, or an offer to buy or exchange by the Company.

If the Board of Directors uses this delegation, the General Meeting decides that:

(i) the shareholders shall have, in proportion to the amount of their shares, a preferential right to subscribe to the shares and negotiable securities issued pursuant to this resolution;

(i) the Board of Directors can grant the shareholders a revocable right to subscribe for the shares or negotiable securities issued, a right that shall be exercised in proportion to their subscription rights and within the limit of their requests;

(i) if the irrevocable subscriptions and, if applicable, revocable, subscriptions have not absorbed the entire issuance, the Board of Directors can make use, in the order it determines, of the rights stipulated hereunder, or only some of them: (a) limit the issuance to the amount of the subscriptions received, provided that the latter represent at least three-quarters of the issuance decided, (b) freely distribute all or some of the shares not subscribed, or (c) offer to the public all or some of the shares not subscribed, on the French market, international market or abroad.

The General Meeting takes note that this delegation entails, in accordance with the provisions of Article L. 225-132 of the French Commercial Code, a waiver by the shareholders of their preferential right to subscribe to the shares of the Company, that can result from the negotiable securities, if any, issued on the basis of this delegation, in favour of the holders of the negotiable securities issued pursuant to this resolution.

The General Meeting decides that:

(i) the issuances of the Company's share warrants made pursuant to this delegation can be made by a subscription offer, as well as by a free allotment to the owners of existing shares, and that, in the event of a free allotment of share warrants, in accordance with the provisions of Article L. 225-130 of the French Commercial Code, the Board of Directors can decide that the allotment rights forming odd lots shall not be negotiable or assignable and that the shares corresponding to the exercise of said rights shall be sold;

(ii) the Board of Directors shall determine the characteristics, amount and conditions of any issuance, as well as those of the shares issued. In particular, it shall determine the class of the shares issued and shall set, based on the information contained in its report, their subscription price, with or without premium, the conditions for their paying-up, their vesting date, which may be retroactive, the conditions by which the negotiable securities issued on the basis of this resolution shall give access to shares of the Company or of a Subsidiary and, with respect to debt securities, their seniority. The Board of Directors can decide to charge the expenses resulting from the issuances against the amount of the related premiums, and to deduct from this amount the amounts needed to bring the legal reserve up to one-tenth of the new share capital after each increase;

(iii) if applicable, the Board of Directors can, in accordance with the provisions of Article L. 225-149-1 of the French Commercial Code, suspend the exercise of the rights attached to the negotiable securities granting access, whether directly or indirectly, immediately or in future, to the share capital of the Company, during a period of at most three months, and shall take any measure useful to making the adjustments required by law and, if applicable, by the contractual stipulations in order to protect the owners of the rights attached to the negotiable securities granting access to the Company's shares;

(iv) in accordance with Article L. 225-129-2 of the French Commercial Code, the Board of Directors, having the right to sub-delegate under the conditions stipulated by law, shall be vested with all powers to implement this resolution, notably, by entering into any agreement for this purpose, in particular, with a view to the success of any issuance, to carry out the aforementioned issuances, on one or more occasions, in the proportion and at the times they will determine, in France, or, if applicable, abroad, or on the international market, as well as, if applicable, to defer this, formally note its completion and make the correlative amendments of the Articles of Association, as well as to perform all formalities and make all declarations and apply for all authorisations that are necessary to the implementation and success of these issuances;

(v) the Board of Directors shall report to the following ordinary general meeting on the use made of this delegation of authority in accordance with laws and regulations and, notably, those of Article L. 225-129-5 of the French Commercial Code.

The General Meeting decides that this authorisation is granted for a term of 26 months from the date of today's meeting. As of this same date, it shall render ineffective for its unused portion the authorisation granted by the combined general meeting held on 1 June 2010 in its 11th resolution.

Thirteenth resolution

(Delegation of authority given to the Board of Directors in order to issue shares of the Company and/or the negotiable securities granting access to the shares of the Company or to those of one of its subsidiaries, by an offer to the public, without shareholders' preferential subscription right)

The General Meeting, voting in 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, after having considered the Board of Directors' report and the statutory auditors' special report, formally noting that all of the share capital has been paid up:

(i) delegates to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, its authority to decide on one or more increases of the share capital by issuance, without shareholders' preferential right to subscribe, via an offer to the public, as defined in Articles L. 411-1 *et seq.* of the French Monetary and Financial Code (Code Monétaire et Financier), of (a) shares of the Company, (b) negotiable securities granting access, by any means, whether immediately or in future, to existing shares or shares to be issued of the Company, (c) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of a Subsidiary, and (d) negotiable securities giving rise to the allotment of debt securities issued, against payment or free of charge, governed by Articles L. 228-91 *et seq.* of the French Commercial Code, which can be subscribed either in cash, or by setting off receivables;

(ii) decides that the maximum nominal amount of the increase of the Company's share capital, whether immediate or in future, resulting from all of the issuances made pursuant to this delegation is set at 15% of the amount of the Company's share capital, it being specified that this amount shall be charged against the total maximum amount indicated in the 15th resolution, which can be increased by the nominal amount of the Company's shares to be issued, if applicable, pursuant to the adjustments made in accordance with the law and, if applicable, the contractual stipulations to protect the holders of rights attached to the negotiable securities granting access to the Company's shares;

(iii) decides that the thus issued negotiable securities granting access to shares of the Company or of a Subsidiary can consist of debt securities or be associated with the issuance of said securities, or else, permit the issuance of said securities as intermediary securities. The provisions concerning negotiable securities of the same type that can be issued on the basis of the preceding resolution shall apply for their issuance, during their existence and for their access to shares, or their redemption, seniority, or amortization;

The nominal amount of the thus issued debt securities cannot exceed €600 million or their equivalent value on the date of the issuance decision, it being specified (a) that this amount does not include redemption premiums that are above par, if this was stipulated (b) that this amount is charged against the maximum amount of €600 million for the issuance of debt securities pursuant to the 12th to 14th resolutions submitted to this meeting but (c), that this amount is autonomous and separate from the amount of the debt securities the issuance of which is decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code;

(iv) decides that the Board of Directors can grant the shareholders, in accordance with the provisions of Article L. 225-135 of the French Commercial Code, an irrevocable or revocable priority right, to subscribe to the shares or the negotiable securities, the exercise terms and conditions of which it shall determine, under the conditions stipulated by law, without giving rise to the creation of negotiable rights. Shares not subscribed pursuant to this right can be the subject of a public placement in France or abroad, or on the international market;

(v) decides that if the subscriptions, including, if applicable, those of the shareholders, have not absorbed the entire issuance, the Board of Directors can limit the amount of the transaction under the conditions stipulated by Article L. 225-134 of the French Commercial Code.

The General Meeting takes note that this delegation entails, in accordance with the provisions of Article L. 225-132 of the French Commercial Code, a waiver by the shareholders of their preferential right to subscribe to the Company's shares that can result from the negotiable securities issued on the basis of this delegation, in favour of the holders of the negotiable securities issued pursuant to this resolution.

The General Meeting decides that the Board of Directors shall determine the characteristics, amount and conditions of any issuance, as well as of the shares issued. In particular, it shall determine the class of the shares issued and shall set, based on the information contained in its report, their subscription price, with or without a premium, their vesting date, which can be retroactive, as well as, if applicable, the term, or the conditions by which the negotiable securities issued on the basis of this resolution shall give access to shares, it being stipulated that:

(i) the issuance premium of the shares shall be at least equal to the minimum amount stipulated by laws and regulations force at the time of the use of this delegation (on the date of this decision, this minimum amount is the weighted average of the quoted prices of the Company's share during the three most recent trading sessions on the Paris Euronext market preceding the date of the setting of this price, if applicable, less the maximum discount of 5 %, in accordance with the provisions of the first paragraph of Articles L. 225-136-1° and R. 225-119 of the French Commercial Code), if necessary, after correction of this amount to take account of the difference of vesting date;

(ii) the issuance price of the negotiable securities granting access to the Company's share capital shall be that of the amount immediately received by the Company or, in the event of the issuance of negotiable securities granting access to shares of a Subsidiary, by the Subsidiary, plus, if applicable, the amount, if any, received at a later date by the Company or the Subsidiary, as the case may be, or, for each share issued as a result of the issuing of these negotiable securities, at least equal to the issuance price referred to in paragraph (i) above, if necessary, after correction of this amount to take account of the difference of vesting date.

The General Meeting decides that:

(i) the Board of Directors can decide to charge the expenses of the issuances made pursuant to this resolution against the amount of the related premiums and to deduct from this amount the amounts needed to bring the legal reserve to one-tenth of the new share capital after each increase,

(ii) the Board of Directors shall have full power, with the right to sub-delegate under the conditions stipulated by law, to implement this resolution, notably, by entering into any agreement for this purpose, in particular, with a view to the successful issuance of any issue, and to carry out, on one or more occasions, in the proportion and at the times it will determine, in France or, if applicable, abroad, and on the international market, the aforementioned issuances as well as, if applicable, to defer this to formally note the completion thereof and to make the correlative amendments of the Articles of Association, as well as to perform all formalities and make all declarations, and to request any authorisations necessary to the completion and successful issuance of these issues,

(iii) the Board of Directors shall report to the following ordinary general meeting on the use made of this delegation of authority in accordance with laws and regulations, in particular, the provisions of Article L. 225-129-5 of the French Commercial Code.

The General Meeting decides that this authorisation is given for a term of 26 months from the date of this meeting. As of this same date, it shall render ineffective, for its unused portion, the authorisation given by the combined general meeting of 1 June 2010 in its 12th resolution.

Fourteenth resolution

(Authorisation given to the Board of Directors to – in the event of an increase of the share capital with or without the preferential subscription right of the shareholders –, increase the number of shares to be issued pursuant to the 12th and 13th resolutions)

The General Meeting, voting in the quorum and majority conditions required for extraordinary general meetings and in accordance with Article L. 225-135-1 of the French Commercial Code, after having considered the Board of Directors' report and the statutory auditors' special report, authorises, with the right to sub-delegate under the conditions stipulated by law, the Board of Directors to decide, within thirty days of the closing of the subscription of the initial issuance, for each of the issuances decided pursuant to the 12th and 13th resolutions above, to increase the number of shares to be issued, for up to 15% of the initial issuance, subject to compliance with the cap stipulated in the resolution pursuant to which the issuance is decided and at the same price as the price decided for the initial issuance.

The Board of Directors shall report to the following ordinary general meeting on the use made of this authorisation in accordance with laws and regulations, in particular, the provisions of Article L. 225-129-5 of the French Commercial Code.

The General Meeting decides that this authorisation is given for a term of 26 months from the date of this meeting. As of this same date, it shall render ineffective, for its unused portion, the authorisation given by the combined general meeting of 1 June 2010 in its 13th resolution.

Fifteenth resolution

(Overall limitation of the authorisations to increase the share capital, immediately and/or in future)

The General Meeting, voting in the quorum and majority conditions required for extraordinary general meetings, after having considered the Board of Directors' report, and as a consequence of the approval of the above resolutions, decides to set at €300 million the maximum nominal amount of the increases of the share capital, whether immediate or in future, that could be made pursuant to the delegations granted by the 12th to 14th resolutions, it being specified that this nominal amount shall be increased, if applicable, by the nominal amount of the Company's shares to be issued pursuant to the adjustments made to protect the holders of rights attached to the negotiable securities granting access to shares of the Company.

Sixteenth resolution

(Delegation of authority given to the Board of Directors to carry out increases of the share capital reserved for the members of a company savings plan)

The General Meeting, voting in the quorum and majority conditions required for extraordinary general meetings, and in accordance with Articles L. 225-129, L. 225-129-2, L. 225-129-6, L. 228-92, L. 225-138 I and II and L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 to L. 3332-24 of the French Labour Code, after having considered the Board of Directors' report and the statutory auditors' special report:

(i) delegates to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, its authority to decide to increase the share capital as decided by it alone, on one or more occasions, at the times and in accordance with the conditions it will determine, via the issuance of shares or of negotiable securities granting access to existing shares or shares to be issued of the Company, reserved for the current and former employees of the Company and those of French or foreign companies or groupings that are affiliated with it pursuant to Article L. 225-180 of the French Commercial Code and Article L. 3344-1 of the French Labour Code, members of a company savings plan, in particular, via the incorporation in the share capital of reserves, profits or premiums, within the limits established by laws and regulations;

(ii) decides that the maximum nominal amount of the increase of the Company's share capital, whether immediate or future, resulting from all of the issuances made pursuant to this delegation, is set at €20 million, it being specified that this cap does not include the nominal value of the Company's shares that, if applicable, will be issued pursuant to adjustments made in accordance with the law and, if applicable, the contractual stipulations to protect the holders of rights attached to the negotiable securities granting access to the Company's shares;

(iii) decides to waive the shareholders' preferential subscription right, in favour of the above-mentioned beneficiaries, to subscribe to the shares or negotiable securities granting access to shares to be issued within the scope of this delegation and, if applicable, to shares or other negotiable securities granted free of charge on the basis of this delegation. The General Meeting takes formal note that this delegation entails a waiver by the shareholders of their preferential right to subscribe to the shares that can result from the negotiable securities granting access to shares of the Company issued on the basis of this delegation;

(iv) decides that the subscription price of the new shares shall be equal to the average of the first quoted prices of Arkema's shares on the Euronext Paris market during the twenty trading sessions preceding the date of the decision establishing the date of the beginning of the subscription, less the maximum discount stipulated by law on the date of the decision by the Board of Directors, it being specified that the Board of Directors can reduce this discount if it deems this appropriate, in particular, to comply with local laws applicable in case of an offer of shares to the members of a company savings plan on the international market or abroad;

(v) decides that the Board of Directors can proceed with the grant, free of charge, of shares or negotiable securities granting access to shares of the Company as replacement of all or some of the aforementioned discount or of the contribution, it being understood that the total benefit arising from this grant cannot exceed the limits established by laws or regulations; and, subject to the inclusion of the financial equivalent of the grant, free of charge, of shares or of negotiable securities granting access to shares of the Company, valued at the subscription price, does not result in the exceeding of legal limits.

The General Meeting decides that the Board of Directors shall have, with the right to sub-delegate under the conditions stipulated by law, full power to implement this resolution, and, in particular, to:

(i) define the characteristics, amount and conditions of any issuance or free grant of shares;

(ii) determine that the subscriptions can be carried out directly by the beneficiaries or via a mutual fund trust (fonds commun de placement) or any other collective entity authorised by regulations;

(iii) draw up, under the conditions required by law, the list of the companies, or groups, whose employees and former employees will be able to subscribe to the shares or negotiable securities issued and, if applicable, to receive the shares or negotiable securities granted free of charge;

(iv) define the type and conditions of the increase of the share capital, as well as the conditions of the issuance or the free grant;

(v) determine the subscription price of the shares and the term of the subscription period;

(vi) determine the seniority conditions that must be satisfied by the beneficiaries of the new shares or negotiable securities to result from the increase(s) of the share capital or of the securities that are the subject of each free allotment covered by this resolution;

(vii) define the terms and conditions of the issuances of shares or negotiable securities that will be made pursuant to this delegation, in particular, their vesting date, and the conditions of their paying-up;

(viii) define the dates for the opening and closing of subscriptions and collecting subscriptions;

(ix) formally note the making of the increase of the share capital via the issuance of shares for the amount of the shares that will be effectively subscribed;

(x) determine, if necessary, the nature of the shares granted free of charge, as well as the terms and conditions of this grant;

(xi) determine, if necessary, the sum of the individual amounts to be incorporated in the share capital within the above limit, the shareholders' equity accounts from which they will be debited, as well as the vesting date of the shares thus created;

(xii) as decided by it alone and if it deems this appropriate, to charge the expenses resulting from the increases of share capital against the amount of the premiums related to these increases and to deduct from this sum the individual amounts needed to bring the legal reserve to one-tenth of the new share capital after each increase;

(xiii) take any measure for the definitive completion of the increases of share capital, perform the formalities resulting from said increases, in particular, those concerning the listing of the shares created, and make amendments to the Articles of Association that are correlative to these increases of the share capital and, in general, to do whatever is necessary.

The General Meeting decides that this authorisation is given for a term of 26 months from the date of this meeting. As of this same date, it shall render ineffective the authorisation given by the combined general meeting of 1 June 2010 in its 15th resolution.

Seventeenth resolution

(Authorisation given to the Board of Directors to grant options to subscribe for or options to purchase shares of the Company, to certain employees of the Group, as well as to directors of the Company or to the directors of companies of the Group)

The General Meeting, voting in the quorum and majority conditions required for extraordinary general meetings and in accordance with Articles L. 225-129-1, L. 225-177 to L. 225-186-1 of the French Commercial Code, after having taken cognisance of the Board of Directors' report and the statutory auditors' special report, authorises the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, to grant, on one or more occasions, options to subscribe for or options to purchase shares of the Company under the conditions below.

The General Meeting decides that the beneficiaries shall be employees or eligible directors of the Company (in the meaning of Article L. 225-185 paragraph 4 of the French Commercial Code) or some of them, of the Company or companies or groupings affiliated with it pursuant to Article L. 225-180 of the French Commercial Code.

The General Meeting decides that the options to subscribe for or options to purchase shares granted to the eligible directors of the Company (in the meaning of Article L. 225-185 paragraph 4 of the French Commercial Code) shall be characterised by one or more performance criteria stipulated by the Board of Directors, which will determine the number of exercisable options.

The General Meeting decides that each option shall entitle its owner to subscribe for or purchase a new or existing ordinary share, as the case may be. The total number of options that can be granted pursuant to this resolution shall not give the right to subscribe for or purchase a number of shares representing more than 2.5 % of the Company's share capital, as recorded on the date of the Board of Directors' decision granting the options.

The shares that can be obtained by exercising the options to purchase shares granted pursuant to this resolution shall be acquired by the Company in accordance with Article L. 225-208 of the French Commercial Code or Article L. 225-209 of the French Commercial Code.

The General Meeting decides that the exercise price of the options to subscribe for or options to purchase shares shall be determined by the Board of Directors on the date on which the options will be granted, under the conditions stipulated by Article L. 225-177 of the French Commercial Code for options to subscribe for shares, and by Article L. 225-179 of the French Commercial Code for options to purchase shares. As regards options to subscribe for shares, this price cannot be lower than the average of the first quoted prices of Arkema's shares on the Euronext Paris market during the twenty trading sessions prior the date on which these options shall be granted. As regards options to purchase shares, the purchase price paid by the beneficiaries cannot be lower than the average purchase price for the shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code.

If the Company carries out one of the transactions referred to in Article L. 225-181 of the French Commercial Code, the Board of Directors shall take, under the conditions stipulated by regulations in force at that time, the measures needed to protect the interests of the beneficiaries, including, if applicable, by making an adjustment to the number of the shares that can be obtained via the exercise of the options granted to the beneficiaries to reflect the impact of this transaction.

The options granted must be exercised within at most 10 years from the date as of which they are granted by the Board of Directors.

If necessary, the General Meeting shall take note and decide that this delegation entails, in favour of the beneficiaries of the options to subscribe for shares, an express waiver by the shareholders of their preferential right to subscribe to the shares that will be issued as and when these options are exercised.

The General Meeting grants full power to the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, to implement this resolution and, in particular to:

(i) define the dates on which the options shall be granted, under the conditions defined by law and within legal limits;

(ii) define the list of the beneficiaries of options, the number of options granted to each of these beneficiaries and the conditions for the grant and exercise of the options;

(iii) define, as regards options granted to the eligible directors of the Company (in the meaning of Article L. 225-185 paragraph 4 of the French Commercial Code), one or more performance criteria determining the number of options that may be exercised;

(iv) decide, as regards to the options granted to the eligible directors of the Company, as referred to under Article L. 225-185 of the French Commercial Code, either that these cannot be exercised by the interested parties before the latter have left their positions, or, to set the quantity of the shares resulting from exercises of options, which the latter shall be bound to keep in registered form until they have left their positions;

(v) define the conditions for the exercise of the options and, in particular, limit, restrict or prohibit (a) the exercise of the options or (b) the assignment of the shares obtained through the exercise of the options, during certain periods or as of certain events; it being specified that its decision can (i) cover all or some of the options and (ii) concern all or some of the beneficiaries;

(vi) determine the vesting date, even if retroactive, of the new shares resulting from the exercise of the options to subscribe for shares;

(vii) take, in the situations referred to by law, the measures needed to protect the interests of the options' beneficiaries under the conditions stipulated in Article L. 228-99 of the French Commercial Code;

(viii) provide for the right to temporarily suspend exercises of options during a period of up to three months in the event of the completion of financial transactions involving the exercise of a right attached to the shares;

(ix) more generally, with the right to sub-delegate under the conditions defined by law, enter into any agreements, draw up any documents, record increases of the share capital following exercises of options, amend, if applicable, the Articles of Association to reflect this, perform all formalities, in particular, those necessary to the listing of the shares thus issued and make all declarations to all entities and do everything that is otherwise necessary.

In accordance with Article L. 225-184 of the French Commercial Code, each year, the Board of Directors shall inform the ordinary general meeting of the transactions carried out within the scope of this resolution.

The General Meeting decides that this authorisation is granted for a term of 38 months from the date of this meeting. As of this same date, it shall render ineffective the authorisation given by the combined general meeting held on 15 June 2009 in its 17th resolution.

Eighteenth resolution

(Authorisation given to the Board of Directors to grant shares of the Company free of charge)

The General Meeting, voting in the quorum and majority conditions required for extraordinary general meetings and in accordance with Articles L. 225-197-1 *et seq.* of the French Commercial Code, after having considered the Board of Directors' report and the statutory auditors' special report, authorises the Board of Directors, with the right to sub-delegate under the conditions stipulated by law, to grant existing shares or shares to be issued of the Company free of charge, on one or more occasions, under the conditions below.

The beneficiaries shall be the employees or eligible directors (in the meaning of Article L. 225-197-1 II paragraph 1 of the French Commercial Code) of the Company or of companies or groupings that are affiliated with it pursuant to Article L. 225-197-2 of the French Commercial Code, or certain categories of them.

The General Meeting decides that the shares of the Company that are granted free of charge to the eligible directors of the Company (in the meaning of Article L. 225-197-1 II paragraph 1 of the French Commercial Code) shall be characterised by one or more performance criteria stipulated by the Board of Directors, in particular, on the basis of which the number of shares definitely acquired by the directors of the Company shall be determined.

The General Meeting decides that the total number of the Company's existing shares or shares to be issued granted free of charge pursuant to this resolution may not exceed 3% of the share capital of the Company as recorded after this meeting.

The General Meeting decides that the Board of Directors shall determine, under the conditions required by law, at the time of each grant decision:

(i) the acquisition period, at the end of which the grant of the shares shall become definitive, which shall last at least two years; and

(ii) the mandatory period during which the beneficiaries must kept the Company's shares; this period runs from the definitive grant of the shares, which shall be, for all or some of the shares, a period of two years, with the exception of the shares for which the acquisition period shall be at least four years, and for which the mandatory period can be eliminated or shortened.

The General Meeting decides that the existing shares that can be granted pursuant to this resolution shall be acquired by the Company, either within the framework of Article L. 225-208 of the French Commercial Code, or, if applicable, within the scope of the share buyback program authorised by the General Meeting pursuant to Article L. 225-209 of the French Commercial Code.

The General Meeting authorises the Board of Directors to conduct one or more increases of the share capital by incorporation of premiums, reserves or profits, in order to issue shares that will be granted free of charge under the conditions provided for in this resolution.

The General Meeting takes note and decides, if necessary, that this delegation entails in favour of the beneficiaries of the free grant of existing shares or shares to be issued, a waiver by the shareholders (i) of their preferential right to subscribe to the shares that will be issued in the course of the definitive grant of shares, (ii) any right to the shares granted free of charge on the basis of this delegation, and (iii) any right on the amount of the reserves and premiums against which, if applicable, the issuance of the new shares shall be charged.

The General Meeting grants full power to the Board of Directors with the right to sub-delegate under the conditions stipulated by law and within the above-mentioned limits, in order to implement this authorisation, and, in particular in order to:

(i) determine whether the free shares being granted are shares to be issued or existing shares;

(ii) determine the identity of the beneficiaries, the attribution criteria, the number of shares granted to each of them, the terms and conditions for the grant of the shares and, in particular, the acquisition period and the period during which the shares thus granted shall be kept;

(iii) define, as regards shares granted to the eligible directors of the Company (in the meaning of Article L. 225-197-1 II paragraph 1 of the French Commercial Code), one or more performance criteria for the shares;

(iv) decide, for the shares granted free of charge to the directors of the Company, as referred to in Article L. 225-197-1-II of the French Commercial Code, either that they cannot be sold by the interested parties before said persons have left their positions, or to determine the quantity of shares granted free of charge that the latter shall be bound to keep in registered form until they have left their positions;

(v) define, under the conditions defined by law and within legal limits, the dates on which the shares shall be granted free of charge;

(vi) decide on the new issued shares' vesting date, even if retroactive;

(vii) decide on the conditions under which the number of shares granted free of charge shall be adjusted; and

(viii) more generally, with the right to sub-delegate under the conditions stipulated by law, enter into any agreements, draw up any documents, record increases of the share capital following definitive grants, amend, if applicable, the Articles of Association to reflect this, perform all formalities and make all declarations to any entities and do everything that is otherwise necessary.

Each year, the Board of Directors shall inform the ordinary general meeting of the grants made pursuant to this resolution, in accordance with Article L. 225-197-4 of the French Commercial Code.

The General Meeting decides that this authorisation is given for a term of 38 months from the date of this meeting. As of this same date, it shall render ineffective the authorisation given by the combined general meeting held on 15 June 2009 in its 18th resolution.

Nineteenth resolution

(Powers for formalities)

The General Meeting grants full power to the bearer of an original, a copy or an excerpt of the minutes of this meeting for the purposes of performing all filing, publicity or other required formalities.

ANNEX 5 – REPORT OF THE BOARD OF DIRECTORS ON THE DRAFT RESOLUTIONS PROPOSED TO THE COMBINED GENERAL MEETING ON 23 MAY 2012

We present to you below the text of the draft resolutions that the Board of Directors will submit to the approval of the shareholders at the Combined General Meeting dated 23 May 2012 (the "General Meeting").

Resolutions proposed to the Ordinary General Meeting

Approval of the annual financial statements, allocation of the net income and distribution of an amount deducted from the "paid-in surplus" account, after deduction of negative retained earnings (1st, 2nd, 3rd and 4th resolutions)

The purpose of the **1st resolution** is to approve the Company annual financial statements for the financial year 2011, as these are presented in the Board of Directors' management report, as well as all of the operations reflected by or mentioned in said report. We propose that you formally acknowledge that the expenses and charges referred to in Article 39-4 of the French General Tax Code were not incurred during the past the financial year.

You will be asked, **in the 2nd resolution**, in accordance with the provisions of Article L. 225-100 of the French Commercial Code, to approve the consolidated financial statements for the financial year 2011, as well as all of the operations reflected by and mentioned in said financial statements.

The Company's financial statements underscore a net loss of €289,358,549.28. **In the 3rd resolution**, the Board of Directors proposes that you allocate this loss as follows:

Financial year's loss	€(289,358,549.28)
Retained earnings from the previous financial year	€114,713,760.01
New balance of retained earnings	€(174,644,789.27)

In the 4th resolution, the Board of Directors proposes that you formally acknowledge that the distributable reserves of the financial year ended 31 December 2011 amount to €1,020,998,910.60, less negative retained earnings (€174,644,789.27), *i.e.* a total amount of €846,354,121.33 and that you decide to distribute a dividend, to be deducted from the reserve account "paid-in surplus" as follows:

Paid-in surplus	€1,020,998,910.60
Retained earnings	€(174,644,789.27)
Balance of the Reserves "paid-in surplus" less retained earnings	€846,354,121.33
Distributed dividend	€(80,423,950.10)
New Balance of the Distributable reserves	€765,930,171.23

The payment of the dividend of €80,423,950.10, on the 61,864,577 shares bearing dividend right on 1 January 2011 and existing on the date of the Board of Directors' meeting that will approve the texts of the draft resolutions, would correspond to a distribution of €1.30 per share.

We also propose that you authorise the Board of Directors to deduct from the "paid-in surplus" account the amounts needed to pay the aforementioned dividend on the shares resulting from the subscriptions or allotments carried out prior to the dividend payment date and that have dividend rights. The ex dividend date for the financial year 2011 dividend shall be 29 May 2012 and the dividend shall be payable on 1 June 2012 on the positions closed on the evening of 31 May 2012.

This distribution would be eligible for the 40% rebate to which individual persons who have their tax residence in France are entitled, as indicated in Article 158 3 2° of the French General Tax Code.

It is hereby recalled that the following dividend was paid for the three previous financial years:

Financial year	2008	2009	2010
Net dividend per share *(in euros)*	0.60 (1)	0.60 (1)	1.00 (1)

(1) Amounts eligible in full for the 40% rebate for individual persons who have their tax residence in France, as indicated in Article 158 3 2° of the French General Tax Code..

If the Company holds some treasury shares at the time the dividend is paid, the amount corresponding to the dividends not paid on these shares would be allocated to the "retained earnings" account.

Regulated agreements referred to in Articles L. 225-38 *et seq.* of the French Commercial Code (5th resolution)

The Board of Directors proposes that you (i) approve the statutory auditors' special report on the agreements and commitments referred to in Articles L. 225-38 *et seq.* of the French Commercial Code already approved by the general meeting, the performance of which continued during the financial year that ended on 31 December 2011, as well as on a new agreement entered into in 2011, (ii) to take formal note of the information concerning these agreements entered into and these commitments and (iii) approve the transactions and agreements that were entered into or that have already been approved by the general meeting, the performance of which continued during the financial year that ended on 31 December 2011 and referred to in this report.

The agreements and commitments that were previously approved by the general meeting, the performance of which continued during the financial year that ended on 31 December 2011, are: (i) the commitment to retire pursuant to the supplementary company-level pension scheme by certain senior executives, including the Chairman - chief executive officer, (ii) the agreement covering severance due in the event of the non-voluntary departure of the Chairman - chief executive officer, as well as (iii) the renewable multicurrency syndicated loan entered into in 2006 between, on the one hand, Arkema and Arkema France and, on the other, several banks, for up to €1.1 billion.

The agreement entered into during the financial year 2011 is a renewable multicurrency loan agreement for up to €700 million, entered into between Arkema S.A. and Arkema France on the one hand, and a syndicate of banks, on the other, on 26 July 2011.

Agreement referred to in Article L. 225-42-1 of the French Commercial Code (6th resolution)

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the Board of Directors proposes – after having considered the statutory auditors' special report on the above-mentioned agreement entered into between the Company and Mr Thierry Le Hénaff, mentioned in said report – that you take note of the information contained therein and approve this agreement subject to the Board of Directors' renewal of Mr Thierry Le Hénaff as Chairman - Chief Executive Officer of Arkema.

This agreement covers contractual severance due in case of non-voluntary departure. Eligibility for this severance is conditional upon compliance with conditions associated with the performance of its beneficiary, as determined based on the Company's performance, as specified in the statutory auditors' special report, in accordance with the law.

Renewal of appointment of directors (7th and 8th resolutions)

The Board of Directors proposes that you renew the term of offices of Mr Thierry Le Hénaff (**in its 7th resolution**) and Mr Jean-Pierre Seeuws (**in its 8th resolution**) as directors for a period of four years expiring at the end of the general meeting to be held in 2016 to approve the financial statements for the financial year that will end on 31 December 2015.

Information relating to the candidates for renewal of their term of office as director of your Board of Directors appear below:

- **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 at Peat Marwick Consultants, he joined Bostik, Total'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, a new entity created by the merger of Total's and Elf Atochem's Adhesives divisions. On January 1st, 2003, he joined the Executive Committee of Atofina, where he was in charge of three Business Units (Agrochemicals, Fertilizers and Thiochemicals), as well as three functional divisions. He is Chairman and Chief Executive Officer of Arkema S.A. since March 6th, 2006 and Chairman of the Board of Directors of Arkema France since April 18th, 2006, in which he was Chairmanand Chief Executive Officer since 2004.
- **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 sections. In 1981, he became Chief Executive Officer of the Base Mineral Chemicals, Films and then Fine Mineral 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. In 1995, Jean-Pierre Seeuws was appointed Chief Executive Officer of Total's Chemical's business and Chairman of Hutchinson (1996). Between 1996 and 2000, he was a member of Total S.A. Executive Committee. 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 of Total Petrochemicals Inc. Jean-Pierre Seeuws is director of Arkema since May 10th, 2006.

Renewal of appointment of a principal statutory auditor and an alternate statutory auditor (9th and 10th resolutions)

The Board of Directors proposes that you take note that the term of office of Ernst & Young, the principal statutory auditor, will expire at the end of the General Meeting and proposes, **in its 9th resolution**, that you renew Ernst & Young Audit term of office for a period of six years, *i.e.* until the end of the general meeting to be held in 2018 to approve the financial statements for the financial year that will end on 31 December 2017.

The Board of Directors proposes that you take note that the term of office of Auditex, the alternate statutory auditor, will expire at the end of the General Meeting and proposes, **in its 10th resolution**, that you renew Auditex term of office for a period of six years, *i.e.* until the end of the general meeting to be held in 2018 to approve the financial statements for the financial year that will end on 31 December 2017.

Authorisation to trade in the Company's shares (11th resolution)

As the authorisation granted by the general meeting held on 24 May 2011 will soon expire, it is proposed that you authorise the Board of Directors, with the right to sub-delegate, to purchase or to have others purchase shares of the Company, for up to 10% of the total number of shares comprising the Company's share capital, at a maximum purchase price set at €95 per share (it being understood that this price would be adjustable in the event of the incorporation of premiums, reserves or profits, giving rise to an increase of the nominal value of the shares, or to the creation and grant of free shares, as well as in the case of a stock split or a combining of shares, or any other transaction concerning shareholders' equity, to reflect the impact of these transactions on the value of the share) and for up to a total amount of the funds to be used for the implementation of this €100 million share buyback programme.

These transactions involving the Company's buying its own shares back would be carried out in accordance with the provisions of Article L. 225-209 of the French Commercial Code, pursuant to the provisions of European Regulation No. 2273/2003 of 22 December 2003 regarding the terms of application of European Directive No. 2003/6/EC of 28 January 2003.

It is hereby recalled that the acquisitions that would be carried out by the Company pursuant to the proposed authorisation cannot, under any circumstances, cause the Company to directly or indirectly hold more than 10% of the shares comprising the Company's share capital and that the shares purchased and kept by the Company shall be deprived of their voting right and shall not give the right to the payment of the dividend.

It is recalled that the acquisition or transfer of these shares may be carried out at any time, except during public offer periods involving the Company's shares, under the conditions and within the limits, in particular, of the volume and pricing conditions, provided for by laws and regulations in force on the date of the transactions concerned, by any means, and in particular, on the market or over the counter, including via the acquisition or sale of blocks of shares, the use of financial derivative instruments or notes traded on a regulated market or over the counter, under the conditions provided for by the market authorities and at the times determined by the Board of Directors or the person acting on the delegation of the Board of Directors.

The Board of Directors proposes that you decide that these purchases of shares can be made in accordance with the provisions of this delegation of authority, with a view to any allocation permitted by law, whether currently or in the future, and, in particular, with a view to:

- implementing the market practices allowed by the French Financial Markets Supervising Authority (Autorité des Marchés Financiers), such as (i) the purchase of shares of the Company for holding and subsequent remittance for exchange or as payment for potential acquisitions, it being specified that the number of shares acquired with a view to their subsequent remittance for a merger, demerger or contribution transaction cannot exceed 5% of its share capital at the time of the acquisition or (ii) purchases or sales transactions pursuant to a liquidity contract entered into with an investment services provider and consistent with the ethical charter recognised by the French Financial Markets Supervising Authority, as well as (iii) any market practice subsequently allowed by the French Financial Markets Supervising Authority or by the law;
- accepting and performing obligations, and, notably, to remitting shares during the exercise of rights attached to negotiable securities granting access, by any means, whether immediately or in future, to shares of the Company, as well as to executing any hedging transactions involving the bonds of the Company (or those of one of its subsidiaries) linked to these negotiable securities, under the conditions stipulated by market authorities and at the times determined by the Board of Directors or by the person acting on the delegation of the Board of Directors;
- to covering purchase option plans granted to employees or directors of the Company or of its group;
- to allocating shares of the Company free of charge to employees or directors of the Company or of its group, under the conditions stipulated by Articles L. 225-197-1 *et seq.* of the French Commercial Code;
- to offering employees the right to acquire shares, whether directly, or via a company savings plan, under the conditions stipulated by law, notably, by Articles L. 3332-1 *et seq.* of the French Labour Code;
- to cancelling shares in order to reduce the Company's share capital.

Each year, the Board of Directors shall inform the general meeting of the transactions carried out pursuant to this resolution, in accordance with Article L. 225-211 of the French Commercial Code.

The Board of Directors proposes that you grant it full power, with the right to sub-delegate under the conditions stipulated by law, to place any stock market orders, enter into any agreements, draw up and modify any documents, in particular, information documents, perform all formalities, including, to allocate or reallocate the shares acquired for the various purposes pursued, and to make all declarations to the French Financial Markets Supervising Authority and to all entities, and, in general, to do everything necessary.

The Board of Directors proposes that you grant it this authorisation to buy back the Company's shares for a term of eighteen months from the date of the General Meeting, and to render ineffective, as of this same date, the unused portion of the 8th resolution of the combined general meeting held on 24 May 2011.

Resolutions proposed to the Extraordinary General Meeting

It is proposed that you grant the Board of Directors various delegations of authority to renew the expiring delegations of authority previously granted to the Board of Directors, in order to make it possible to quickly and flexibly bring together the financial resources necessary to the implementation of the Group's growth strategy.

Delegation of authority given to the Board of Directors to issue shares of the Company and/or negotiable securities granting access to shares of the Company or of one of its subsidiaries, with maintenance or elimination of the shareholders' preferential subscription right (12th and 13th resolutions)

The 12th and 13th resolutions would allow the Board of Directors to decide the issuance of shares and/or negotiable securities granting access to shares in France, abroad and/or on the international markets, with or without the shareholders' preferential subscription right, based on the opportunities offered by the financial markets and the interests of the Company and its shareholders.

The purpose of the **12th resolution** is to grant the Board of Directors a delegation of authority to issue (i) shares of the Company, (ii) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of the Company and (iii) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of a company in which the Company directly or indirectly holds more than one-half of the share capital and (iv) negotiable securities giving the right to the allotment of debt securities issued against payment or free of charge, governed by Articles L. 228-91 *et seq.* of the French Commercial Code, that can be subscribed for in cash, or by setting off receivables with the shareholders' preferential subscription right.

The Board of Directors proposes that you decide that the maximum nominal amount of increases of the share capital that could be made pursuant to this delegation would be capped at €300 million, it being understood that this ceiling would be charged against the overall cap of €300 million that you are asked to decide on during the vote on the 15th resolution (which we describe for you below), plus, if applicable, the nominal amount of the additional shares to be issued to preserve the rights of the holders of negotiable securities granting the right to shares of the Company, in accordance with the law.

The Board of Directors proposes that you decide that the maximum nominal amount of the bonds and debt securities granting access to the capital that could be issued, pursuant to the delegation granted to the Board of Directors, would be set at €600 million, or the equivalent of this amount in the event of an issuance in other currencies, it being specified that (i) this amount would not include redemption premium(s) above par, if this was stipulated, (ii) this amount would include all of the debt securities that could potentially be issued pursuant to the application of the 12th to 14th resolutions submitted to your General Meeting and that we describe to you below, (iii) however, this amount would be autonomous and separate from the amount of the debt securities, the issuance of which would be decided or authorised by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code. The term of the loans, other than those that would be represented by perpetual securities, could not exceed 15 years. The loans could have a fixed or variable interest rate, or else, a rate that is within the limits stipulated by law, with capitalisation, and can be used for the granting of guarantees or securities, reimbursement, with or without a premium, or amortization; the shares could also be subject to stock market purchases, or an offer to buy or exchange by the Company.

The Board of Directors proposes that you decide that it will be entitled to grant the shareholders a revocable right to subscribe for the shares or negotiable securities issued, that would be exercised in proportion to their subscription rights and within the limit of their requests. This delegation would entail, in accordance with the provisions of Article L. 225-132 of the French Commercial Code, a waiver by the shareholders of their preferential right to subscribe to the shares of the Company that could result from the negotiable securities, if any, issued on the basis of this delegation, in favour of the holders of the negotiable securities issued pursuant to this resolution.

It is proposed that you decide that the issuances of the Company's share warrants made pursuant to this delegation can be made by a subscription offer, as well as by a free allotment to the owners of existing shares.

It is proposed that you authorise the Board of Directors to decide to charge the expenses resulting from the issuances against the amount of the related premiums, and to deduct from this amount the amounts needed to bring the legal reserve up to one-tenth of the new share capital after each increase.

It is proposed that you authorise the Board of Directors to suspend the exercise of the rights attached to the negotiable securities granting access, whether directly or indirectly, immediately or in future, to the share capital of the Company, during a period of at most three months, and to take any measure useful to making the adjustments required by law and, if applicable, by the contractual stipulations, in order to protect the owners of rights attached to the negotiable securities granting access to shares of the Company.

The Board of Directors would report to the following ordinary general meeting on the use made of this delegation of authority in accordance with laws and regulations, notably, the provisions of Article L. 225-129-5 of the French Commercial Code.

The purpose of the **13th resolution** is to grant the Board of Directors a delegation of authority to issue, by an offer to the public, as defined in Articles L. 411-1 *et seq.* of the French Monetary and Financial Code, (i) shares of the Company, (ii) negotiable securities granting access, by any means, whether immediately or in future, to existing shares or shares to be issued of the Company, (iii) negotiable securities granting access by any means, whether immediately or in future, to existing shares or shares to be issued of a subsidiary, and (iv) negotiable securities giving rise to the allotment of debt securities issued, against payment or free of charge, governed by Articles L. 228-91 *et seq.* of the French Commercial Code, which can be subscribed for either in cash, or by setting off receivables, without the shareholders' preferential subscription right.

In order to be able to respond quickly to any financial opportunity offered, inter alia, by the diversity of financial markets in France and abroad, the Board of Directors can carry out issuances that could be placed with investors interested in certain types of financial products. This means that the Board of Directors must be able to carry out these issuances without suppressing the shareholders' preferential subscription right.

The Board of Directors proposes that you decide that the maximum nominal amount of the increases of share capital that could be carried out pursuant to this delegation is set at 15% of the amount of the Company's share capital, it being specified that this amount shall be charged against the overall ceiling indicated in the 15th resolution that we will describe for you below and that it can be increased by the nominal value of the Company's shares to be issued, if any, pursuant to adjustments made in accordance with the law and, if applicable, to the contractual stipulations, to protect the holders of rights attached to the negotiable securities granting access to the Company's shares.

The maximum nominal amount of the bonds and debt securities that could be issued pursuant to the delegation that we proposes you grant to the Board of Directors, would be set at €600 million or the equivalent, on the date of the issue decision, it being specified, (i) that this amount does not include (an) above par redemption premium(s), if this was stipulated (ii) that this amount is charged against the maximum amount of €600 million for the issuance of debt securities pursuant to the 12th to 14th resolutions that we describe to you below, but (iii), that this amount is autonomous and separate from the amount of the debt securities issued pursuant to a decision or authorisation by the Board of Directors in accordance with Article L. 228-40 of the French Commercial Code.

It is proposed that you authorise the Board of Directors, in the event that this facility is used, to grant the shareholders an irrevocable or revocable priority right of subscription, during a period of time and in accordance with the conditions that would be determined by the Board of Directors.

The Board of Directors proposes that you decide that if the subscriptions, including, if applicable, those of the shareholders, have not absorbed the entire issuance, it will be entitled to limit the amount of the transaction under the conditions stipulated by Article L. 225-134 of the French Commercial Code.

It is proposed that you authorise the Board of Directors to define the characteristics, amount and conditions of any issuance and of the securities issued, it being specified that the issuance price of the shares pursuant to the resolutions shall be at least equal to the minimum amount stipulated by laws and regulations in force at the time of the use of the delegation proposed to you and that the issuance price of the negotiable securities granting access to the Company's share capital shall be such that the amount immediately received by the Company or, in the event of the issuance of negotiable securities granting access to shares of a subsidiary, by the subsidiary, plus, if applicable, the amount, if any, received at a later date by the Company or the subsidiary, as the case may be, will be, for each share issued as a result of the issuance of these negotiable securities, at least equal to the above-mentioned issuance price, if necessary, after an adjustment of this amount to take account of the difference of vesting date.

It is proposed that you authorise the Board of Directors to decide to charge the expenses of the issuances made pursuant to this resolution against the amount of the related premiums and to deduct from this amount the amounts needed to bring the legal reserve to one-tenth of the new share capital after each increase.

The Board of Directors proposes that you grant the delegations of authority covered by the 12th and 13th resolutions for a term of 26 months from the General Meeting and that you render ineffective, as of this same date, the unused portions of the delegations of the same type granted by the combined general meeting held on 1 June 2010 in its 11th and 12th resolutions.

Authorisation to be granted to the Board of Directors to, in the event of an increase of the share capital with or without of the shareholders' preferential subscription right, increase the number of shares to be issued pursuant to the 12th and 13th resolutions (14th resolution)

The Board of Directors proposes that you delegate to it the authority to decide, within thirty days of the closing of the subscription of the initial issuance, for each of the issuances that would be decided pursuant to the 12th and 13th resolutions, which we describe to you below, to increase the number of shares to be issued, for up to 15% of the initial issuance, subject to compliance with the cap stipulated in the resolution pursuant to which the issuance is decided and at the same price as the price decided for the initial issuance.

The Board of Directors shall report to the following ordinary general meeting on the use made of this authorisation in accordance with laws and regulations, in particular, the provisions of Article L. 225-129-5 of the French Commercial Code.

The Board of Directors proposes that you grant this delegation of authority for a term of 26 months from the date of the General Meeting, and render ineffective, as of this same date, the unused portion of the delegation of authority granted by the combined general meeting held on 1 June 2010 in its 13th resolution.

Limitation of the total amount of the authorisations (15th resolution)

The purpose of this resolution is to define a total limit for the nominal amount of the increases of share capital, whether immediate or future, with or without the shareholders' preferential subscription right, that could be carried out by the Board of Directors pursuant to the 12th to 14th resolutions that we have described to you below.

The nominal amount of the increases of the share capital referred to in the 12th to 14th resolutions that we are submitting to your approval would be capped at €300 million, it being understood that this amount could potentially be increased by the nominal amount of the additional shares to be issued to preserve the rights of the holders of negotiable securities granting the right to shares of the Company in accordance with the law.

Delegation of authority to make increases of the share capital reserved for the members of a company savings plan (16th resolution)

The purpose of this resolution, submitted in accordance with the provisions of Articles L. 225-129, L. 225-129-2, L. 225-129-6, L. 228-92, L. 225-138 I and II and L. 225-138-1 of the French Commercial Code, and those of Articles L. 3332-18 to L. 3332-24 of the French Labour Code, is to authorise the Board of Directors to carry out issuances of shares and/or of negotiable securities granting access to the share capital of the Company, issued by the Company and reserved for members of a company savings plan.

The Board of Directors proposes that you:

(i) delegate to it, with the right to sub-delegate under the conditions stipulated by law, yours authority to decide to increase the share capital, on one or more occasions, at the times and in accordance with the conditions it will determine, via the issuance of shares or of negotiable securities granting access to existing shares or shares to be issued of the Company, reserved for the current and former employees of the Company and those of French or foreign companies or groupings that are affiliated with it pursuant to Article L. 225-180 of the French Commercial Code and to Article L. 3344-1 of the French Labour Code, members of a company savings plan, in particular, via the incorporation in the share capital of reserves, profits or premiums, within the limits established by laws and regulations;

(ii) decide that the maximum nominal amount of the increase of the Company's share capital, whether immediate or future, resulting from all of the issuances made pursuant to this delegation be set at €20 million, it being specified that this cap does not include the nominal value of the Company's shares that, if applicable, will be issued pursuant to adjustments made in accordance with the law and, if applicable, the contractual stipulations to protect the holders of rights attached to the negotiable securities granting access to shares of the Company;

(iii) decide to waive the shareholders' preferential subscription right, in favour of the above-mentioned beneficiaries, to subscribe to the shares or negotiable securities granting access to shares to be issued pursuant to this delegation and, if applicable, to the shares or other negotiable securities granted free of charge on the basis of this delegation, and to take formal note that this delegation would entail a waiver by the shareholders of their preferential right to subscribe to the shares that could result from the negotiable securities granting access to shares of the Company issued on the basis of this delegation;

(iv) decide that the subscription price of the new shares would be equal to the average of the first quoted prices of Arkema's shares on the Euronext Paris market during the twenty trading sessions preceding the date of the decision establishing the initial subscription date, less the maximum discount stipulated by law on the date of the decision of the Board of Directors, it being specified that the Board of Directors can reduce this discount if it deems this appropriate, in particular, so as to comply with applicable local laws in the event of an offer of shares to the members of a company savings plan on the international market or abroad;

(v) decide that it could grant, free of charge, shares or negotiable securities granting access to shares of the Company as replacement of all or part of the aforementioned discount or of the contribution, it being understood that the total benefit arising from this allotment cannot exceed the limits established by laws or regulations, and subject to the inclusion of the financial equivalent of the allotment, free of charge, of shares or of negotiable securities granting access to shares of the Company, valued at the subscription price, does not result in the exceeding of legal limits.

The Board of Directors proposes that you decide that it shall have, with the right to sub-delegate under the conditions stipulated by law, full power to implement this resolution and, inter alia, to (i) define the characteristics, amount and conditions of any issuance or free allotment of shares, (ii) define the type and conditions of the increase of the share capital, as well as the conditions of the issuance or the free allotment, (iii) formally note the making of the increase of the share capital via the issuance of shares for the amount of the shares that will be effectively subscribed, (iv) as decided by it alone and if it deems this appropriate, charge the expenses resulting from the increases of share capital against the amount of the premiums related to these increases and deduct from this sum the individual amounts needed to bring the legal reserve to one-tenth of the new share capital after each increase, and (v) take any measure for the definitive completion of the increases of share capital, perform the formalities resulting from said increases, in particular, those concerning the listing of the shares created, and make amendments to the Articles of Association that are correlative to these increases of the share capital and, in general, to do whatever is necessary.

The Board of Directors proposes that you grant this delegation of authority for a term of 26 months from the date of the General Meeting, and render ineffective, as of this same date, the unused portion of the delegation of authority granted by the combined general meeting held on 1 June 2010 in its 15th resolution.

Authorisation given to the Board of Directors to grant options to subscribe for or options to purchase shares of the Company, to certain employees of the Group, as well as to directors of the Company or to the directors of companies of the Group (17th resolution)

The Board of Directors proposes that you authorise it, in accordance with the provisions of Articles L. 225-129-1, L. 225-177 to L. 225-186-1 of the French Commercial Code, with the right to sub-delegate under the conditions stipulated by law, to grant, on one or more occasions, options to subscribe for or options to purchase shares of the Company under the conditions below.

The Board of Directors proposes that you decide that the beneficiaries would be employees or eligible directors, or some of them, of the Company or of companies or groupings affiliated with it.

The Board of Directors proposes that you decide that options to subscribe for or options to purchase shares granted to the eligible directors shall be characterised by one or more performance criteria stipulated by the Board of Directors, which will determine the number of exercisable options.

The Board of Directors proposes that you decide that each option shall entitle its owner to subscribe for or purchase a new or existing ordinary share, as the case may be. The total number of options that can be granted pursuant to this resolution shall not give the right to subscribe for or to purchase a number of shares representing more than 2.5% of the Company's share capital, as recorded on the date of the Board of Directors' decision granting options.

The Board of Directors proposes that you decide that the exercise price of the options to subscribe for or options to purchase shares shall be determined by the Board of Directors on the date on which the options will be granted, under the conditions stipulated by Article L. 225-177 of the French Commercial Code for options to subscribe for shares, and by Article L. 225-179 of the French Commercial Code for options to purchase shares. As regards options to subscribe for shares, this price cannot be lower than the average of the first quoted prices of Arkema's shares on the Euronext Paris market during the twenty trading sessions prior the date on which these options shall be granted. As regards options to purchase shares, the purchase price paid by the beneficiaries cannot be lower than the average purchase price for the shares held by the Company pursuant to Articles L. 225-208 and L. 225-209 of the French Commercial Code.

The Board of Directors proposes that you decide that if the Company carries out one of the transactions referred to in Article L. 225-181 of the French Commercial Code, that it will be entitled to take, under the conditions stipulated by regulations in force at that time, the measures needed to protect the interests of the beneficiaries, including, if applicable, by making an adjustment to the number of the shares that can be obtained via the exercise of the options granted to the beneficiaries to reflect the impact of this transaction.

The Board of Directors proposes that you decide that the options granted must be exercised within at most 10 years from the date as of which they are granted.

The Board of Directors proposes that you take formal note and decide, if necessary, that this delegation entails, in favour of the beneficiaries of the options to subscribe for shares, an express waiver by the shareholders of their preferential right to subscribe to the shares that will be issued as and when these options will be exercised.

The Board of Directors proposes that you grant it full power, with the right to sub-delegate under the conditions stipulated by law, to implement this delegation of authority and, inter alia, to (i) define the list of the beneficiaries of options, the number of options granted to each of these beneficiaries and the conditions for the grant and exercise of the options, (ii) take, in the situations referred to by law, the measures needed to protect the interests of the options' beneficiaries under the conditions stipulated in Article L. 228-99 of the French Commercial Code, (iii) provide for the right to temporarily suspend exercises of options during a period of up to three months in the event of the completion of financial transactions involving the exercise of a right attached to the shares, and (iv) more generally, enter into any agreements, draw up any documents, record increases of the share capital following exercises of options, amend, if applicable, the Articles of Association to reflect this, perform all formalities, in particular, those necessary to the listing of the shares thus issued and make all declarations to all entities and do everything that would otherwise be necessary.

In accordance with Article L. 225-184 of the French Commercial Code, each year, the Board of Directors shall inform the ordinary general meeting of the transactions carried out pursuant to this resolution.

The Board of Directors proposes that you grant this delegation of authority for a term of 38 months from the date of the General Meeting, and render ineffective, as of this same date, the unused portion of the delegation of authority granted by the combined general meeting held on 15 June 2009 in its 17th resolution.

Authorisation granted to the Board of Directors to grant shares of the Company free of charge (18th resolution)

The Board of Directors proposes that you authorise it, in accordance with the provisions of Articles L. 225-197-1 *et seq.* of the French Commercial Code, with the right to sub-delegate under the conditions stipulated by law, to grant existing shares or shares to be issued of the Company free of charge, on one or more occasions.

The beneficiaries would be employees or eligible directors of the Company or of companies or groupings that are affiliated with it, or certain categories of them.

The shares of the Company that are granted free of charge to the eligible directors of the Company would be characterised by one or more performance criteria stipulated by the Board of Directors, in particular, on the basis of which the number of shares definitively acquired by the directors of the Company shall be determined.

The Board of Directors proposes that you decide that the total number of the Company's existing shares or shares to be issued granted free of charge pursuant to this resolution may not exceed 3% of the share capital of the Company as recorded after this meeting.

The Board of Directors proposes that you decide that it shall determine, under the conditions required by law, at the time of each granting decision: (i) the acquisition period, following which the grant of the shares shall become definitive, which shall last at least two years; and (ii) the mandatory period during which the beneficiaries must kept the Company's shares.

The Board of Directors proposes that you decide that the existing shares that can be granted pursuant to this resolution shall be acquired by the Company, either within the framework of Article L. 225-208 of the French Commercial Code, or, if applicable, within the scope of the share buyback programme authorised by the General Meeting pursuant to Article L. 225-209 of the French Commercial Code.

The Board of Directors proposes that you authorise it to conduct one or more increases of the share capital by incorporation of premiums, reserves or profits, in order to issue shares that will be granted free of charge under the conditions provided for in this resolution.

The Board of Directors proposes that you take formal note and decide, if necessary, that this delegation entails in favour of the beneficiaries of the free grants of existing shares or shares to be issued, a waiver by the shareholders (i) of their preferential right to subscribe to the shares that will be issued in the course of the definitive grant of shares, (ii) any right to the shares granted free of charge on the basis of this delegation, and (iii) any right on the amount of the reserves and premiums against which, if applicable, the issuance of the new shares shall be charged.

The Board of Directors proposes that you grant it full power, with the right to sub-delegate, in order to implement this authorisation, and, in particular, to:

(i) determine whether the free shares being granted are shares to be issued or existing shares;

(ii) determine the identity of the beneficiaries, the granting criteria, the number of shares granted to each of them, the terms and conditions for the grant of the shares and, in particular, the acquisition period and the period during which the shares thus granted shall be kept;

(iii) define, as regards shares granted to the eligible directors of the Company, one or more performance criteria for the shares;

(iv) decide, as regards the shares granted free of charge to the directors of the Company, either that they cannot be sold by the interested parties before said persons have left their positions, or determine the quantity of the shares granted free of charge that the latter shall be bound to keep in registered form until they have left their positions;

(v) determine, under the conditions defined by law and within legal limits, the dates on which the shares shall be granted free of charge;

(vi) decide on the newly issued shares' vesting date, even if retroactive;

(vii) decide on the conditions in which the number of shares granted free of charge shall be adjusted; and

(viii) more generally, with the right to sub-delegate under the conditions stipulated by law, enter into any agreements, draw up any documents, record increases of the share capital following definitive grants, amend, if applicable, the Articles of Association to reflect this, perform all formalities and make all declarations to any entities and do everything that is otherwise necessary.

Each year, the Board of Directors shall inform the ordinary general meeting of the grants made pursuant to this resolution, in accordance with Article L. 225-197-4 of the French Commercial Code.

The Board of Directors proposes that you grant this delegation of authority for a term of 38 months from the date of the General Meeting, and render ineffective, as of this same date, the unused portion of the delegation of authority granted by the combined general meeting held on 15 June 2009 in its 18th resolution.

Powers to perform legal formalities (19th resolution)

The Board of Directors proposes that you grant full power to the bearer of a copy or an excerpt of the minutes of the meeting to perform all necessary formalities.

This report contains the main provisions of the text of the draft resolutions. Please vote on these draft resolutions.

The Board of Directors

ANNEX 6 – STATUTORY AUDITORS' REPORT ON THE INSSUANCE OF SHARES AND / OR NEGOTIABLE SECURITIES WITH AND WITHOUT PREFERENTIAL SUBSCRIPTION RIGHT

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 de Versailles

Ernst & Young Audit
1/2, place des Saisons
92400 Courbevoie –Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux comptes
Membre de la Compagnie de Versailles

Combined annual general meeting on 23 May 2012 Twelfth, thirteenth and fourteenth resolutions

To the shareholders,

In our capacity as statutory auditors of your Company and in accordance with the terms of our engagement defined by articles L. 228-92 and L. 225-135 *et seq.* of the French Commercial Code, we present below our report on the proposals of delegation of authority to the Board of Directors to issue ordinary shares and/or other financial instruments giving access to capital of the Company, operation which are submitted to your approval.

Your Board of Directors proposes, on the basis of its report:

- that you delegate to them, with option of sub-delegation, for a period of 26 months, the authority to decide in favour of the operations mentioned below and to definitely set the conditions of these issues and proposes to you, as need be, to waive, where appropriate, your preferential subscription right:
  - issue, with maintaining the shareholders' preferential rights, of i) ordinary 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 50% ownership, and iv) financial instruments giving access to the granting of debt securities issued free of charge or against payment, pursuant to articles L. 228-91 *et seq.* of the Commercial Code, which may be subscribed to for cash consideration or by offset against receivables (twelfth resolution),
  - issue, with cancellation of the shareholders' preferential subscription right by way of public offering, of i) ordinary shares in your 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 50% ownership, and (iv) financial instruments giving access to the granting of debt securities issued free of charge or against payment, pursuant to articles L. 228-91 *et seq.* of the Commercial Code, which may be subscribed to for cash consideration or by offset against receivables (thirteenth resolution).

The ceiling of the nominal amount of the share capital increase of the Company that may be executed, immediately or in the future, may not exceed €300 million under the twelfth resolution, and 15% of the amount of the share capital of your Company under the 1 resolution, the ceiling of the nominal amount of the share capital increases of the Company that may be executed under the twelfth, thirteenth and fourteenth resolutions being set at €300 million.

The nominal amount of the debt securities that may be issued under the twelfth resolution may not exceed €600 million in total and €600 million under the thirteenth resolution, the ceiling of the nominal amount of debt securities that may be issued under the twelfth, thirteenth and fourteenth resolutions being set at €600 million.

These ceilings take account of the additional number of securities to be issued under the execution of the delegations of authority covered under the twelfth and thirteenth resolutions, in accordance with article L. 225-135-1 of the Commercial Code, if you adopt the 14th resolution.

It is the responsibility of your Board of Directors to prepare a report in accordance with the provisions of Articles R.225-113 *et seq.* of the Commercial Code. It is our responsibility to express an opinion on whether the information issued from the financial statements is fairly stated, on the proposal to cancel the preferential subscription right, 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 thirteenth 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 twelfth resolution, we do not express any opinion on the elements of the price calculation.

As the share issue price has not yet been determined, we do not express any opinion on the final conditions under which issues will be processed, and, accordingly, on the proposal to cancel the shareholders' preferred subscription right under the thirteenth 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, 8 March 2012

The Statutory Auditors

French original signed by

KPMG Audit

Département de KPMG S.A.

Bertrand Desbarrières
Partner

Ernst & Young Audit

François Carrega
Partner

Valérie Quint
Partner

ANNEX 7 – STATUTORY AUDITORS' REPORT ON THE ISSUANCE OF SHARES OR FINANCIAL INSTRUMENTS GIVING ACCESS TO EXISTING SHARES OR SHARES TO BE ISSUED, WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS, RESERVED FOR EMPLOYEES SUBSCRIBING TO 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.

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Membre de la Compagnie de Versailles

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S.A.S. à capital variable

Commissaire aux comptes
Membre de la Compagnie de Versailles

Statutory auditors' report on the issuance of shares or financial instruments giving access to existing shares or shares to be issued, without preferential subscription rights, reserved for employees subscribing to a company savings plan

Combined general meeting of 23 May 2012, sixteenth resolution

To the shareholders,

In our capacity as statutory auditors of your Company and in accordance with the terms of our engagement defined by articles L. 225-135 *et seq.* of the French Commercial Code, we present below our report on the proposed 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 other financial instruments giving access to existing shares in the company or shares in the company to be issued, with cancelling of the preferential subscription right, reserved for employees and former employees of your company and French or foreign companies or groupings associated with it, pursuant to current regulations, subscribing to a company savings plan, for a maximum nominal amount of €20,000,000, an operation which is submitted to your approval.

This capital increase is submitted to your approval in accordance with articles L. 225-129-6 of the Commercial Code and L. 3332-18 *et seq.* of the Labour Code.

Your Board of Directors proposes, on the basis of its report, that you delegate to them, for a period of 26 months from the date of this general meeting, the authority to decide in favour of one or more capital increase operations and to waive your preferential subscription right to the shares or financial instruments giving access to existing shares or shares to be issued. Where applicable, the Board of Directors shall definitely set the conditions of these issues.

It is the responsibility of your Board of Directors to prepare a report in accordance with the Articles R. 225-113 and R. 225-114 of the French Commercial Code. It is our responsibility to express an opinion on whether the information issued from the financial statements is fairly stated, on the proposal to cancel the preferential subscription right, 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 the share capital increase 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 conditions of the proposed share capital increase have not yet been determined, we do not express any opinion on the final conditions under which the share capital increase will proceed, and, accordingly, on the proposal to cancel the shareholders' preferential subscription right.

In accordance with the provisions of Article R. 225-116 of the Commercial Code, we will issue an additional report, as need be, when your Board of Directors makes use of this delegation.

Paris-La Défense, 8 March 2012
The Statutory Auditors
French original signed by

KPMG Audit
Département de KPMG S.A.
Bertrand Desbarrières
Partner

Ernst & Young Audit
François Carrega
Partner
Valérie Quint
Partner

ANNEX 8 – STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT SHARE SUBSCRIPTION OR PURCHASE OPTIONS

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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S.A.S. à capital variable

Commissaire aux comptes
Membre de la Compagnie de Versailles

Arkema S.A.
Registered office: 420, rue d'Estienne d'Orves – 92700 Colombes

Share capital: €618,645,770

Statutory auditors' report on the authorisation to grant share subscription or purchase options

Combined general meeting of 23 May 2012, 17th resolution

To the shareholders,

In our capacity as statutory auditors of your Company and in accordance with the terms of our engagement defined by articles L. 225-177 and R. 225-144 of the French Commercial Code, we present below our report on the authorisation to grant share subscription or purchase options to eligible salaried employees and executive directors (within the meaning of article L. 225-185 paragraph 4 of the French Commercial Code) or certain individuals within these categories, of your Company or companies or groupings related to it pursuant to article L. 225-180 of the French Commercial Code, upon which you are requested to vote.

Your Board of Directors therefore proposes, on the basis of its report, that you delegate to the Board, for a period of 38 months, with effect from the date of this general meeting, the authority to grant share subscription or purchase options.

It is the responsibility of your Board of Directors to prepare a report on the considerations of the proposed share subscription or purchase option scheme as well as on the proposed terms for the determination of the share subscription or purchase price. Our role is to report on the proposed methods for determining the share subscription or purchase price.

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 proposed methods for determining the share subscription or purchase price are specified in the report of the Board of Directors and that they comply with the provisions of the laws and regulations.

We have no matters to report on the proposed methods for determining the share subscription or purchase price.

Paris La Défense, 8 March 2012

The statutory auditors

French original signed by

KPMG Audit
Département de KPMG S.A.

Bertrand Desbarrières
Partner

Ernst & Young Audit

François Carrega
Partner

Valérie Quint
Partner

ANNEX 9 – STATUTORY AUDITORS' REPORT ON THE AUTHORIZATION TO GRANT FREE OF CHARGE EXISTING SHARES OR SHARES TO BE ISSUED

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	Commissaire aux comptes
Membre de la Compagnie de Versailles	Membre de la Compagnie de Versailles

Arkema S.A.
Registered office: 420, rue d'Estienne d'Orves – 92700 Colombes

Share capital: €618,645,770

Statutory auditors' report on the authorisation to grant free existing or new shares

Combined general meeting of 23 May 2012, 18th resolution

To the shareholders,

In our capacity as statutory auditors of your Company and in accordance with the terms of our engagement defined by articles L. 225-197-1 of the French Commercial Code, we present below our report on the authorisation to grant free existing or new shares to eligible salaried employees and executive directors (within the meaning of article L. 225-197-1 II paragraph 1 of the French Commercial Code) of your Company or companies or groupings related to it pursuant to article L. 225-197-2 of the French Commercial Code, upon which you are requested to vote.

Your Board of Directors therefore proposes, on the basis of its report, that you delegate to the Board, for a period of 38 months, with effect from the date of this general meeting, the authority to grant free existing or new shares.

It is the responsibility of your Board of Directors to prepare a report on this proposed operation. Our role is to report, where applicable, on the information provided to you on the proposed operation.

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 proposed methods set out in the report of the Board of Directors comply with the provisions of the law.

We have no matters to report on the information given in the report of the Board of Directors relating to the proposed operation to authorise the grant of free shares.

Paris La Défense, 8 March 2012

The statutory auditors

French original signed by

KPMG Audit	Ernst & Young Audit	
Département de KPMG S.A.		
Bertrand Desbarrières *Partner*	François Carrega *Partner*	Valérie Quint *Partner*

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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.
DMAEA	Abbreviation for dimethylaminoethyl acrylate.
DMDS	Abbreviation for dimethyldisulfide.
Dioctylphthalate or DOP	An ester made from phthalic anhydride and mainly used as a plasticizer.
EDA	Refers to copolymers and terpolymers made from ethylene and acrylic esters.
EDC	The ISO code for dichloroethane.
Emulsions	Binders for paint, glue or varnish produced by polymerization of monomers (acrylic, vinyl, and others), and forming a stable dispersion in water of polymer particles which, when coated and dry, form a continuous film.
Functional polyolefins	Ethylene-derived polymers used as binding agents in multilayer food packaging and other industrial applications.
GHGs	Greenhouse gases.

Term	Definition
GWP (Global Warming Potential)	Index measuring the impact of a given mass of gas estimated to contribute to global warming, expressed in relation to carbon dioxide.
H2S	Hydrogen sulfide.
HCFCs	Hydrochlorofluorocarbons.
Heat stabilizers	Additives used to improve a polymer's resistance to heat.
HF	Hydrofluoric acid.
HFCs	Hydrofluorocarbons. Hydrogen-, carbon- and fluorine-based products that are mainly used in refrigeration as substitutes to CFCs (chlorofluorocarbons), following the introduction of the Montreal Protocol.
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 dried, form a continuous film.
Mercaptans	Thio-alcohols and phenols.
Methyl methacrylate (MMA)	An essential raw material in the manufacture of polymethyl methacrylate (PMMA) for the automotive, construction and equipment industries. Methyl methacrylate is used not only in the manufacture of PMMA, but also in the fields of acrylic emulsions and plastic additives.
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.
Perlite	A natural silicate of volcanic origin used in industry for its properties as a filter aid.
Photocure resins	Synthetic resins that harden under the effect of ultraviolet light.
Phthalic anhydride	An orthoxylene derivative mainly used in the manufacture of plasticizers and as a synthesis intermediate.
PMMA	The ISO code for polymethyl methacrylate.
Polyamide	A polymer obtained by the reaction of a di-acid on a di-amine, or from the polymerization of a monomer having both an acid and an amine function.
Polyamide 11 (PA 11) and Polyamide 12 (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.

Term	Definition
Polymers	Products made by polymerization.
Polyphthalamide (PPA)	A thermoplastic material from the polyamide family, obtained by polymerization of aromatic diacides and aliphatic diamines, and characterized by high melting point and high mechanical rigidity.
Polystyrene	A plastic obtained by the polymerization of styrene, an aromatic compound.
Polyvinyl chloride (PVC)	A plastic obtained by the polymerization of VCM.
Processing agents	Products that facilitate the conversion of polymers by molding or extrusion.
Product life cycle	Refers to the various processing stages of a material, from raw material extraction through to management of end-of-life.
PTFE	The ISO code for polytetrafluoroethylene.
PVC	The ISO code for vinyl polychloride or polyvinyl chloride.
PVDF	The ISO code for polyvinylidene fluoride.
REACH (Registration, Evaluation and Authorisation of Chemicals)	The European regulation n° 1907/2006 of the Parliament and the Council dated 18 December 2006, concerning the registration, evaluation and authorisation of chemical substances, that came into force on 1 June 2007.
RCMS	The Responsible Care® Management System.
Responsible Care®	A voluntary initiative by the world chemical industry to achieve continuous progress in safety, health and environment, managed in France by the UIC under the name of "Engagement de progrès®" ("Commitment to Progress").
Sebacic acid	Diacid derived from castor oil, used as an intermediate in the manufacture of bio-sourced polymers, plastics, lubricants, and anti-corrosion agents.
SO_2	Sulfur dioxide.
Sodium chlorate	Sodium salt used in the treatment of paper pulp, as a herbicide, or as a synthesis intermediate.
Sodium perchlorate	Sodium salt used as a synthesis intermediate.
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.

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CROSS-REFERENCE TABLE

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
1.	**Persons responsible**	**Chapter 1**	**5**
1.1.	Persons responsible for the information given in the reference document	1.1	5
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2.	**Statutory auditors**	**Chapter 2**	**7**
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2.2.	Statutory auditors having resigned, been removed or not been reappointed during the period covered by the reference document	Not applicable	
3.	**Selected financial information**	**Chapter 3**	**9**
3.1.	Selected historical financial information	Chapter 3	9
3.2.	Selected financial information for intermediary periods	Not applicable	
4.	**Risk factors**	**Chapter 6**	**31-44**
5.	**Information about the Company**	**Chapter 5**	**27-30**
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5.1.1.	Legal and commercial name of the Company	5.1.1	28
5.1.2.	Place of registration and registration number of the Company	5.1.2	28
5.1.3.	Date of incorporation and term of the Company	5.1.3	28
5.1.4.	Registered offices and legal form of the issuer, legislation under which the Company operates, its country of incorporation, address and telephone number	5.1.4	28
5.1.5.	Important events in the development of the Company's business	5.1.5 and 4.4	28, 18-26
5.2.	Capital expenditure	5.2	29-30
5.2.1.	Principal investments made by the Company during each financial year in the period covered by the historical financial information up to the date of the reference document	5.2.1	29
5.2.2.	Principal investments by the Company that are in progress	5.2.2	30
5.2.3.	Information concerning the Company's principal future investments on which its management bodies have already made firm commitments	5.2.3	30

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
6.	**Business overview**	**Chapter 4**	**11-26**
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6.1.2.	Significant new products or services introduced onto the market	4.4	18-26
6.2.	Principal markets	4.4	18-26
6.3.	Exceptional factors influencing the information provided in accordance with items 6.1 and 6.2	Not applicable	
6.4.	Extent of the Company's dependence on patents and licenses, industrial, commercial or financial contracts or new manufacturing processes	6.1	32
6.5.	Basis for any statements made by the Company regarding its competitive position	4.4	18-26
7.	**Structure**	**Chapter 7**	**45**
7.1.	Description of the Group and the Company's position within the Group	Chapter 7	45
7.2.	List of the Company's significant subsidiaries	Chapter 7	45
8.	**Property, plant and equipment**	**Chapter 8**	**47-52**
8.1.	Material tangible fixed assets, either existing or planned	8.1.1	48
8.2.	Environmental issues that may affect the Company's use of tangible fixed assets	8.1.2, 6.2.2.1, 6.2.2.2, 6.3.4 and 8.2	48, 35-37, 43,48-54
9.	**Analysis of the financial condition and results**	**Chapter 9**	**55-64**
9.1.	Description of the Company's financial condition, changes in its financial condition and results of its operations during each financial year and interim period for which historical financial information is required	9.1, 9.2	55-64
9.2.	Operating income	9.2.5	58-59
9.2.1.	Significant factors, including unusual or infrequent events or new developments materially affecting or that may materially affect the Company's income from operations	9.2.5, 9.2.6.1, 9.2.6.2, 9.2.6.3	58-59, 60-61
9.2.2.	Discussion of changes in net sales or revenues	9.2.5, 9.2.6.1, 9.2.6.2, 9.2.6.3	58-59, 60-61
9.2.3.	Governmental, economic, fiscal, monetary or political strategy or factors that have materially affected or could materially affect the Company's operation	9.2.5, 9.2.6.1, 9.2.6.2, 9.2.6.3	58-59, 60-61
10.	**Cash and shareholders' equity**	**10**	**65-68**
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10.2.	Sources and amounts of the Company's cash flows and description of these cash flows	10.1 and 9.2.8	66, 63-64
10.3.	Information on the Company's borrowing requirements and funding structure	10.2	66-67
10.4.	Information regarding any restrictions on the use of capital resources liable to have a significant effect, whether direct or indirect, on the operations of the Company	10.4	68
10.5.	Information regarding anticipated sources of funds required to honor any undertakings listed under headings 5.2.3 and 8.1	10.5	68
11.	**Research and development, patents and licenses**	**Chapter 11**	**69-73**
12.	**Trend information**	**Chapter 12**	**75-76**
12.1.	Most significant trends in production, sales and inventory, costs and selling prices from the end of the last financial year up to the date of the reference document	12.1	76
12.2.	Information on any known trends, uncertainty, demands, commitments or events that are reasonably likely to have a material effect on the Company's outlook for at least the current financial year	12.2 and 13	76, 77
13.	**Profit forecasts or estimates**	**Not applicable**	

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
14.	**Administrative, management and supervisory bodies and Executive Committee of the Company**	**Chapter 14**	**79-88**
14.1.	Names, business addresses and functions in the issuer of the following persons and an indication of the principal activities performed by them outside that issuer where these are significant with respect to that issuer: a) members of the administrative, management or supervisory bodies; b) partners with unlimited liability, in the case of a limited partnership with a share capital; c) founders, if the issuer has been established for fewer than 5 years; and d) any member of the Executive Committee who is relevant to establishing that the issuer has the appropriate expertise and experience for the management of the issuer's business. The nature of any family relationship between any of those persons. In the case of each member of the administrative, management or supervisory bodies of the issuer and of each person mentioned in points (b) and (d) of the first subparagraph, details of that person's relevant management expertise and experience and (a) the names of all companies and partnerships of which such person has been a member of the administrative, management or supervisory bodies or partner at any time in the previous 5 years; (b) any convictions in relation to fraudulent offences for at least the previous 5 years; (c) details of any bankruptcies, receiverships or liquidations for at least the previous 5 years; (d) details of any official public incrimination and/or sanctions of such person by statutory or regulatory authorities and whether such person has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous 5 years. Declaration that there is no such information to be disclosed.	14.1, 14.2, 14.3	80-87
14.2.	Conflicts of interest for members of administrative, management and supervisory bodies and members of the Executive Committee and any arrangement or understanding	14.4	87
15.	**Compensation and benefits**	**Chapter 16**	**107-111**
15.1.	The amount of compensation paid and benefits in kind granted by the Company and its subsidiaries	16.1	108-111
15.2.	Total amounts covered by provisions or recorded elsewhere by the Company and its subsidiaries for purposes of paying pension, retirement or other benefits	16.2, 16.1 and note 4 to the financial statements	108-111, 205
16.	**Functioning of administrative and management bodies**	**Chapter 15**	**89-105**
16.1.	Date of expiration of the current term of office, if applicable, and the period during which the person has served in that office	14.1	80-85
16.2.	Information about members of the administrative, management or supervisory bodies' service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment, or an appropriate negative statement.	14.5	87
16.3.	Information on the Company's Audit Committee and Compensation Committee	15.3.3.1 and 15.3.3.2	94-96
16.4.	A statement as to whether or not the Company complies with the corporate governance regime in its country	15.8 and 15.3	92-97, 105
17.	**Employees**	**Chapter 17**	**113-128**
17.1	Number of employees at the end of each period covered by the historical financial information or the average number over each financial year of this period and the breakdown of employees by main category of activity and by location	17.1.1	114-115
17.2.	Shareholdings and stock options. Indication of the same information regarding directors of the Company	17.5	124-127
17.3.	Description of any arrangements for involving employees in the capital of the Company	17.5	124-127
18.	**Major shareholders**	**Chapter 18**	**129-133**
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	130-132
18.2.	Different voting rights or an appropriate negative statement	18.2 and 21.2.6	133, 221-222
18.3.	Direct or indirect control over the Company	18.4	133
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	133

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
19.	**Related party transactions**	**Chapter 19**	**135**
20.	**Financial information concerning the assets, financial condition and results of the Company**	**Chapter 20**	**137-213**
20.1.	Historical financial information	Chapter 20	137-213
20.2.	Pro forma financial information	Not applicable	
20.3.	Financial statements	Chapter 20	137-213
20.4.	Auditing of historical financial information	Chapter 20	137-213
20.4.1.	Declaration that the historical financial information has been audited	Chapter 20	137-213
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, 137-213
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	68
20.7.1.	Dividend per share	10.6	68
20.8.	Legal and arbitration proceedings	6.4 and note 21 to the financial statements	43-44, 173-176
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21.	**Additional information**	**Chapter 21**	**215-224**
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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	216
21.1.2.	Shares not representing capital	21.1.3	216
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	216-218
21.1.4.	Convertible securities, exchangeable securities or securities with warrants	21.1.5	219
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	21.1.5	219
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	220
21.1.7.	History of share capital for the period covered by the historical financial information	21.1.7 and 18.1	220, 130-132
21.2.	Memorandum and Articles of Association	21.2	220-244
21.2.1.	Company purpose	21.2.1	220
21.2.2.	A brief description of any provision of the Company's Articles of Association, statutes, charter or bylaws concerning the members of administrative, management and supervisory bodies	21.2.2, 15.1 and 15.3	220, 90-91, 92-97
21.2.3.	A description of the rights, preferences and restrictions attaching to each class of the existing shares	21.2.3 and 21.2.6	220, 221-222

In accordance with Annex I of EC regulation n° 809/2004 of 29 April 2004			Reference document
N°	**Heading**	**Section**	**Page(s)**
21.2.4.	A description of what action is necessary to change the rights of holders of the shares	21.2.5	221
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	221-222
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	223
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	223-224
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**	**225-228**
23.	**Third party information and statement by experts and declarations of any interest**	**Not applicable**	
24.	**Documents available to the public**	**Chapter 24**	**231-235**
25.	**Information on shares held by the Company**	**Chapter 25**	**237-246**

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RECONCILIATION TABLE

This reference document features all the elements of the Company's management report as required under articles L225-100 et seq., L.232-1, II and R.225-102 of the French Commercial Code (Code de commerce). 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 (AMF).

In order to facilitate reading of the management report and the annual financial report mentioned above, the following reconciliation table has been prepared to help identify the sections constituting these reports. However, some sections of this reference document which also constitute sections of the management report by the Board of Directors, have been completed since 7 March 2012, date at which this report was reviewed by the Board of Directors. It concerns mainly chapters or sections 4.4, 6, 21.1.4 and 22.

Additionally, in accordance with AMF recommendation n° 2010-13, the reconciliation table is designed to help identify social and environmental responsibility data required to be disclosed pursuant to articles R. 225-104 and R. 225-105 of the French Commercial Code (III).

Finally, the reconciliation table also lists the other reports by the Board of Directors and the reports by the statutory auditors (IV).

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, note 31 to consolidated financial statements, section A of the notes to consolidated financial statements
2	Results of the activity of the Company, its subsidiaries and the companies under its control	Section 9.2
3	Key financial performance indicators	Chapter 3
4	Analysis of evolution of the business, the results and the financial situation	Section 9.2
5	Progress achieved or problems encountered	Section 9.2
6	Description of main risks and uncertainties facing the Company (including the Company's exposure to financial risks)	Chapter 6
7	Indications on the use of financial instruments, and the Company's objectives and policy in terms of financial risk management	Chapters 6 and 10
8	Significant events that have occurred since the accounts closing date	Section 5.1.6
9	Foreseeable evolution and outlook of the Company	Chapters 12 and 13
10	Research and development activities	Chapter 11
11	List of terms of office and duties held in any company by each director in the year ended	Section 14.1
12	Total compensation and employee benefits of any kind paid to each director in the year ended [(1)]	Chapter 16

N°	Information	Reference
13	Undertakings of any kind made by the Company for the benefit of its executive officers, corresponding to items of compensation, indemnities or benefits due or expected to be due as a result of the commencement or termination of these duties or to changes in these duties, or post-duties	Chapter 16
14	Operations conducted by the directors and members of the Executive Committee on the Company's securities	Section 14.6
15	Key environmental and personnel indicators	Chapter 17 and sections 6.2.2, 6.3.4 and 8.2.2
16	Personnel information:	
	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
	Compensation and evolution of compensation, 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	Sections 15.7.1.4 and 17.1.3
	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
17	Employee share ownership situation	Sections 17.5.3 and 18.1
18	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

N°	Information	Reference
19	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
20	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
21	Transfer or disposal of shares undertaken to regularize cross shareholdings	Not applicable
22	Natural persons or corporate bodies holding directly or indirectly over 1/20, 1/10, 3/20, 1/5, 1/4, 1/3, 1/2, 2/3, 18/20 or 19/20 of the Company's share capital or voting rights at annual general meetings	Section 18.1
23	Injunctions or financial penalties in respect of anticompetitive practices	Section 6.4
24	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 and 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
25	Company management mode (only in the event of amendments)	Not applicable
26	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
27	Information on share buy-back programs	Section 21.1.4
28	Summary table of outstanding delegations regarding share capital increase	Section 21.1.5
29	Table of results of the Company in the last 5 years	Section 20.7
30	Amount of dividends distributed in the last 3 years and dividends eligible for the 40% tax rebate	Section 10.6
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, 17, 25, 28 and 29
	Declaration by the people accepting responsibility for the management report	Chapter 1
6	Statutory auditors' fees	Section 9.4

N°	Information	Reference
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 14.1, 15.3, 15.4, 15.5, 15.7 and 16, and item 24 of point I of the Reconciliation Table
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	**CROSS-REFERENCE TABLE FOR PERSONNEL AND ENVIRONMENTAL INFORMATION**	
1	Personnel information:	
	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
	Compensation and evolution of compensation, 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
	Manner in which the Company takes account of the regional impact of its activities in terms of employment and regional development	Sections 15.7.1.4 and 17.1.3
	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
2	Employee share ownership situation	Sections 17.5.3 and 18.1
3	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
IV	**OTHER DOCUMENTS**	
1	Statutory auditors' report prepared by the Chairman of the Board of Directors of Arkema S.A.	Annex 1
2	Special report by statutory auditors on regulated agreements and commitments	Annex 2
3	Draft agenda of the combined general meeting on 23 May 2012	Annex 3
4	Draft resolutions proposed to the combined general meeting on 23 May 2012	Annex 4
5	Report of the Board of Directors on the draft resolutions proposed to the combined general meeting on 23 May 2012	Annex 5
6	Statutory auditors' report on the issuance of shares and / or negotiable securities with and without preferential subscription right	Annex 6

N°	Information	Reference
7	Statutory auditors' report on the issuance of shares or financial instruments giving access to existing shares or shares to be issued, without preferential subscription rights, reserved for employees subscribing to a company savings plan	Annex 7
8	Statutory auditors' report on the authorization to grant share subscription or purchase options	Annex 8
9	Statutory auditor's report on the authorization to grant free existing or new shares	Annex 9

(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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