CONSOLITADED FINANCIAL STATEMENTS

AT 31 DECEMBER 2012

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SCOPE OF CONSOLIDATION AT 31 DECEMBER 2012 79

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	**2012**	**2011**
Sales	(C1&C2)	**6,395**	**5,900**
Operating expenses		(5,137)	(4,632)
Research and development expenses	(C3)	(148)	(132)
Selling and administrative expenses		(432)	(374)
Recurring operating income	(C1)	**678**	**762**
Other income and expenses	(C4)	(27)	(45)
Operating income	(C1)	**651**	**717**
Equity in income of affiliates	(C13)	10	17
Financial result	(C5)	(54)	(37)
Income taxes	(C7)	(186)	(125)
Net income of continuing operations		**421**	**572**
Net income of discontinued operations	(C9)	**(200)**	**(587)**
Net income		**221**	**(15)**
Of which: non-controlling interests		1	4
Net income - Group share	(C6)	**220**	**(19)**
Of which: continuing operations		**420**	**568**
Of which: discontinued operations		**(200)**	**(587)**
Earnings per share (amount in euros)	(C10)	*3.54*	*(0.31)*
Earnings per share of continuing operations (amount in euros)	(C10)	*6.75*	*9.22*
Diluted earnings per share (amount in euros)	(C10)	*3.49*	*(0.31)*
Diluted earnings per share of continuing operations (amount in euros)	(C10)	*6.67*	*9.12*
Depreciation and amortization	(C1)	(318)	(272)
EBITDA *	(C1)	996	1,034
Adjusted net income *		368	500
Adjusted net income of continuing operations *	(C6)	441	574
Adjusted net income per share of continuing operations (amount in euros)	(C10)	*7.09*	*9.31*
Diluted adjusted net income per share of continuing operations (amount in euros)	(C10)	*7.00*	*9.21*

* see note B19 Main accounting and financial indicators

The accounting policies applied in preparing the consolidated financial statements at 31 December 2012 are identical to those used in the consolidated financial statements at 31 December 2011, except for the policies described at the start of note B Accounting policies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	Notes	**2012**	**2011**
Net income		**221**	**(15)**
Hedging adjustments	(C24)	(1)	3
Deferred taxes on hedging adjustments		-	1
Actuarial gains and losses	(C20)	(87)	(28)
Deferred taxes on actuarial gains and losses		20	11
Other items		-	2
Deferred taxes on other items		-	-
Change in translation adjustments		(13)	55
Other comprehensive income of continuing operations		**(81)**	**44**
Other comprehensive income of discontinued operations		(7)	1
Total income and expenses recognized directly in equity		**(88)**	**45**
Comprehensive income		**133**	**30**
Of which: non-controlling interests		1	6
Comprehensive income – Group share		**132**	**24**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	**31 December 2012**	**31 December 2011**
ASSETS			
Intangible assets, net	(C11)	962	777
Property, plant and equipment, net	(C12)	1,852	1,706
Equity affiliates: investments and loans	(C13)	71	66
Other investments	(C14)	36	35
Deferred tax assets	(C7)	83	66
Other non-current assets	(C15)	147	109
TOTAL NON-CURRENT ASSETS		**3,151**	**2,759**
Inventories	(C16)	920	945
Accounts receivable	(C17)	920	834
Other receivables and prepaid expenses	(C17)	147	117
Income taxes recoverable	(C7)	35	36
Other current financial assets	(C24)	8	9
Cash and cash equivalents	(C18)	360	252
TOTAL CURRENT ASSETS		**2,390**	**2,193**
Assets held for sale	(C9)	-	380
TOTAL ASSETS		**5,541**	**5,332**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		629	619
Paid-in surplus and retained earnings		1,587	1,484
Treasury shares		(16)	(10)
Translation adjustments		82	97
SHAREHOLDERS' EQUITY - GROUP SHARE	(C19)	**2,282**	**2,190**
Non-controlling interests		29	27
TOTAL SHAREHOLDERS' EQUITY		**2,311**	**2,217**
Deferred tax liabilities	(C7)	33	35
Provisions and other non-current liabilities	(C20)	878	791
Non-current debt	(C22)	1,071	583
TOTAL NON-CURRENT LIABILITIES		**1,982**	**1,409**
Accounts payable	(C25)	683	665
Other creditors and accrued liabilities	(C25)	318	265
Income taxes payable	(C7)	56	39
Other current financial liabilities	(C24)	2	12
Current debt	(C22)	189	272
TOTAL CURRENT LIABILITIES		**1,248**	**1,253**
Liabilities associated with assets held for sale	(C9)	-	453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,541**	**5,332**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**2012**	**2011**
Net income	221	(15)
Depreciation, amortization and impairment of assets	362	592
Provisions, valuation allowances and deferred taxes	(23)	88
(Gains)/losses on sales of assets	(26)	(37)
Undistributed affiliate equity earnings	(1)	(8)
Change in working capital	(42)	(85)
Other changes	8	8
Cash flow from operating activities	**499**	**543**
Of which: cash flow from operating activities of discontinued operations	**(157)**	**(153)**
Intangible assets and property, plant, and equipment additions	(479)	(424)
Change in fixed asset payables	(8)	24
Acquisitions of operations, net of cash acquired	(264)	(580)
Increase in long-term loans	(60)	(32)
Total expenditures	(811)	(1,012)
Proceeds from sale of intangible assets and property, plant, and equipment	41	13
Change in fixed asset receivables	3	-
Proceeds from sale of operations, net of cash sold	(6)	-
Proceeds from sale of unconsolidated investments	-	45
Repayment of long-term loans	19	12
Total divestitures	57	70
Cash flow from investing activities	**(754)**	**(942)**
Of which: cash flow from investing activities from discontinued operations	**(73)**	**(55)**
Issuance (repayment) of shares and other equity	47	10
Purchase of treasury shares	(13)	(10)
Dividends paid to parent company shareholders	(81)	(61)
Dividends paid to minority shareholders	(1)	0
Increase / decrease in long-term debt	497	15
Increase / decrease in short-term borrowings and bank overdrafts	(94)	177
Cash flow from financing activities	**355**	**131**
Net increase/(decrease) in cash and cash equivalents	100	(268)
Effect of exchange rates and changes in scope	6	(5)
Cash and cash equivalents at beginning of period	254	527
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**360**	**254**
Of which: cash and cash equivalents of discontinued operations	**-**	**2**

At 31 December 2012, income taxes paid amount to €158 million (€170 million at 31 December 2011).

Interest received and paid included in cash flow from operating activities at 31 December 2012 amount, respectively, to €1 million and €32 million (€4 million and €36 million at 31 December 2011).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares issued					Treasury shares				
(In millions of euros)	**Number**	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Non-controlling interests**	**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**

	Shares issued					Treasury shares				
(In millions of euros)	**Number**	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Non-controlling interests**	**Share-holders' equity**
At 1 January 2012	**61,864,577**	**619**	**1,021**	**463**	**97**	**(214,080)**	**(10)**	**2,190**	**27**	**2,217**
Cash dividend	-	-	(81)	-	-	-	-	(81)	(1)	(82)
Issuance of share capital	1,012,638	10	37	-	-	-	-	47	-	47
Purchase of treasury shares	-	-	-	-	-	(250,000)	(13)	(13)	-	(13)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(7)	-	150,046	7	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	9	-	-	-	9	-	9
Other	-	-	-	(2)	-	-	-	(2)	2	-
Transactions with shareholders	**1,012,638**	**10**	**(44)**	**-**	**-**	**(99,954)**	**(6)**	**(40)**	**1**	**(39)**
Net income	-	-	-	220	-	-	-	220	1	221
Total income and expense recognized directly through equity	-	-	-	(73)	(15)	-	-	(88)	-	(88)
Comprehensive income	**-**	**-**	**-**	**147**	**(15)**	**-**	**-**	**132**	**1**	**133**
At 31 December 2012	**62,877,215**	**629**	**977**	**610**	**82**	**(314,034)**	**(16)**	**2,282**	**29**	**2,311**

A. HIGHLIGHTS

1 Acquisitions and divestments

As part of the move to refocus its portfolio of businesses on its specialty chemicals activities, ARKEMA sold its vinyls activities to the Klesch group on 3 July 2012 with effect from 1 July 2012. These activities generate annual sales of approximately €1 billion. Income statement and balance sheet items for these activities up to 1 July 2012 and the associated cash flow items have been classified as discontinued operations, as presented in note C9 Discontinued operations and assets held for sale. Certain minor securities and assets in France and China will be sold in 2013 for administrative reasons.

In October 2012 ARKEMA completed the sale of its tin stabilizers business, which generates annual sales of approximately €180 million. For administrative reasons, the divestment of these activities in China should be finalized during the first half of 2013.

In line with its strategy to increase its presence in higher-growth countries, ARKEMA made the following acquisitions:

- on 1 February 2012, two Chinese companies: Hipro Polymers, a producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used as a raw material in manufacturing polyamides 10.10. Through these acquisitions, ARKEMA has completed its range of specialty biosourced polyamides and expanded its positions in green chemicals.
- in October 2012, an additive and acrylic emulsion production site in Brazil.

The impact of these acquisitions on the financial statements is presented in note C8 Business combinations.

2 Other highlights

On 6 April 2012, ARKEMA had to declare itself in a situation of *force majeure* on its polyamides 12 chain following the accident in late March at Evonik's Marl site in Germany, which produces CDT, a raw material used in production of polyamide 12. Taking into account the insurance coverage subscribed by the Group, the impact is limited to a non-recurring expense of approximately €17 million, recorded in other income and expenses (see note C4 Other income and expenses).

In April 2012, ARKEMA carried out a capital increase reserved to employees, totalling €29.2 million. 535,013 shares were subscribed at the price of €54.51 per share, which is the average opening market price of the Arkema share on the Paris stock exchange for the 20 trading days preceding the Board of Directors' meeting of 7 March 2012 which set the price, less a discount of 20%.

On 26 April 2012, ARKEMA placed a €230 million bond that will mature on 30 April 2020, with an annual coupon of 3.85%. On 5 October 2012, ARKEMA undertook an additional €250 million tap issue to the original bond maturing on

30 April 2020, with annual yield slightly below 3%. ARKEMA is thus continuing to diversify its sources of financing and extend the maturity of its debt in favourable market conditions.

On 24 July 2012, ARKEMA announced the start of a 50% production capacity increase for Kynar® PVDF at its Changshu site in China, thus consolidating its leadership position on this high added value product line used in coatings, chemical processes, offshore oil extraction, water treatment, lithium-ion batteries and photovoltaics.

B. ACCOUNTING POLICIES

Arkema S.A. is a French limited liability company (*société anonyme*) with a Board of Directors, subject to the provisions of book II of the French Commercial Code and all other legal provisions applicable to French commercial companies.
The company's head office is at 420 rue d'Estienne d'Orves, 92700 Colombes (France). It was incorporated on 31 January 2003 and the shares of Arkema S.A. have been listed on the Paris stock exchange (Euronext) since 18 May 2006.

The consolidated financial statements of ARKEMA at 31 December 2012 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 27 February 2013. They will be submitted to the approval of the shareholders' general meeting of 4 June 2013.

The consolidated financial statements at 31 December 2012 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 31 December 2012 and the international standards endorsed by the European Union at 31 December 2012.

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

The accounting policies applied in preparing the consolidated financial statements at 31 December 2012 are identical to those used in the consolidated financial statements at 31 December 2011, except for IFRS standards, amendments and interpretations, as adopted by the European Union and the IASB, that are obligatorily applicable for accounting periods commencing on or after 1 January 2012 (and which had not been applied early by the Group), namely:

Amendment to IFRS 7	Disclosures – Transfers of Financial Assets

The application of these standards, amendments and interpretations did not have any significant impact on the Group's consolidated financial statements.

The standards, amendments or interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force at 1 January 2012 and have not been applied early by the Group, are:

Amendments to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	Adopted by the European Union at 28 December 2012
Amendments to IFRS 1	Government loans	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities	Adopted by the European Union at 28 December 2012
Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition guidance for IFRS 10, IFRS 11 and IFRS 12	Not adopted by the European Union at 31 December 2012
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities	Not adopted by the European Union at 31 December 2012
IFRS 10	Consolidated financial statements	Adopted by the European Union at 28 December 2012
IFRS 11	Joint arrangements	Adopted by the European Union at 28 December 2012
IFRS 12	Disclosure of interests in other entities	Adopted by the European Union at 28 December 2012
IFRS 13	Fair value measurement	Adopted by the European Union at 28 December 2012
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (OCI)	Adopted by the European Union at 5 June 2012
Amendments to IAS 12	Deferred tax: recovery of underlying assets	Adopted by the European Union at 28 December 2012
IAS 19 (Revised)	Employee benefits	Adopted by the European Union at 5 June 2012
IAS 27 (Revised)	Separate financial statements	Adopted by the European Union at 28 December 2012
IAS 28 (Revised)	Investments in associates and joint ventures	Adopted by the European Union at 28 December 2012
Amendments to IAS 32	Offsetting financial assets and financial liabilities	Adopted by the European Union at 28 December 2012
IFRIC 20	Stripping costs in the production phase of a surface Mine	Adopted by the European Union at 28 December 2012
	Annual improvements to IFRS (published in May 2012)	Not adopted by the European Union at 31 December 2012

The Group does not expect any significant impact to result from application as of 1 January 2013 of IAS 19 (revised), nor IFRS 10, 11, 12, IAS 27 (revised) or IAS 28 (revised), applicable from 1 January 2014. The other amendments, standards and interpretations are currently being analyzed.

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

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

The consolidated financial statements are presented in millions of euros, rounded to the nearest million, unless otherwise indicated.
The principal accounting policies applied by the Group are presented below.

1 Consolidation principles

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

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

2 Foreign currency translation

2.1 Translation of financial statements of foreign companies

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

2.2 Transactions in foreign currencies

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

3 Goodwill and business combinations

Operations after 1 January 2010

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

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

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

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

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

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

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

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

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

Operations prior to 31 December 2009

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

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

- contingent liabilities arising from potential obligations were recognized.

4 Intangible assets

Intangible assets include goodwill, software, patents, trademarks, leasehold rights, development costs and electricity consumption rights. Intangible assets are recognized in the balance sheet at their acquisition or production cost, less any accumulated amortization and impairment losses recognized.
Intangible assets other than goodwill and trademarks with indefinite useful lives are amortized on a straight-line basis over 3 to 20 years depending on the pattern according to which the entity envisages using the future economic benefits related to the asset.

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

- Patents: residual period until expiry of patent protection
- Licences: term of the contract
- Softwares: 3 to 5 years
- Capitalized research expenses: useful life of the project
- REACH registration fees: protection period of study data
- Capitalized contracts: term of the contract

4.1 Goodwill

Goodwill is not amortized. It is subject to impairment tests as soon as any indicators of potential impairment are identified. Impairment tests are performed at least annually. The methodology used for the performance of impairment tests is described in paragraph B6 Impairment of long-lived assets.
Goodwill is measured and recognized as described in note B3 Goodwill and business combinations.

4.2 Trademarks

Trademarks with an indefinite useful life are not amortized and are subject to impairment tests. The methodology used for the performance of impairment tests is described in paragraph B6 Impairment of long-lived assets.

4.3 Research and development costs

Research costs are recognized in expenses in the period in which they are incurred. Grants received are recognized as a deduction from research costs.
Under IAS 38 “Intangible assets”, development costs are capitalized as soon as ARKEMA can demonstrate, in particular:

- its intention and its financial and technical ability to complete the development project;

- that it is probable that future economic benefits attributable to the development costs will flow to the enterprise, which also implies having successfully completed the main non-toxicity studies relating to the new product;
- and that the cost of the asset can be measured reliably.

Grants received in respect of development activities are recognized as a deduction from capitalized development costs if they have been definitively earned by the Group. The Group also receives public financing in the form of repayable advances for the development of certain projects. Repayment of these advances is generally related to the future revenues generated by the development. The Group recognizes these advances in balance sheet liabilities (in the "Other non-current liabilities" caption) taking account of the probability of their repayment.

4.4 Research tax credit

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

4.5 REACH

As no specific IFRS IC interpretations exist on the subject, Arkema applies the following methods based on IAS 38:

- when most of the tests required for preparing the registration file have been acquired from a third party, ARKEMA records an operating right in the intangible assets;
- when most of the expenses involved in preparing the registration file have been carried out internally or outsourced, ARKEMA capitalizes the development costs that meet the requirements for capitalization defined by IAS 38 (see 4.3).

5 Property, plant & equipment

5.1 Gross value

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

Equipment subsidies are deducted directly from the cost of the assets which they financed. With effect from 1 January 2009 and in accordance with the revised version of IAS 23, borrowing costs that are directly attributable to financing tangible assets that necessarily take a substantial period of time to get ready for their intended use or sale are eligible for capitalization as part of the cost of the assets for the portion of the cost incurred over the construction period.

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

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

5.2 Depreciation

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

- Machinery and tools: 5-10 years
- Transportation equipment: 5-20 years
- Specialized complex installations: 10-20 years
- Buildings: 10-30 years

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

6 Impairment of long-lived assets

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

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

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. For ARKEMA, the CGUs are the business units presented in note B14. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next 5 years or, when the asset is to be sold, by comparison with its market value. In 2012, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2011) and mid-cycle cash flow. An after-tax rate of 8% is used to discount future cash flows and the terminal value in 2012 (also 8% in 2011). Any impairment is calculated as the difference between the recoverable amount and the carrying amount of the CGU. Because of its unusual nature, any such impairment is presented separately in the income statement under the “Other income and expenses” caption. Impairment may be reversed, to the maximum carrying amount that would have been recognized for the asset, had the asset not been impaired. Impairment losses on goodwill are irreversible (in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be written back).

Sensitivity analyses carried out at 31 December 2012 evaluating the impact of reasonable changes in the basic assumptions, and in particular the impact of a change of plus or minus 1 point in the discount rate and plus or minus 0.5 point in the perpetuity growth rate, have confirmed the carrying amounts of the different CGUs.

7 Financial assets and liabilities

Financial assets and liabilities principally comprise:

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

7.1 Other investments

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

If an objective indicator of impairment in the value of a financial asset is identified, an irreversible impairment loss is recognized, in general through recurring operating income. Such impairment is only reversed via income at the date of disposal of the securities.

7.2 Loans and financial receivables

These financial assets are recognized at amortized cost. They are subject to impairment tests involving a comparison of their carrying amount to the present value of estimated recoverable future cash flows. These tests are carried out as soon as any indicator inferring that the present value of these assets is lower than their carrying amount is identified. As a minimum such tests are performed at each balance sheet date. Any impairment loss is recognized in recurring operating income.

7.3 Accounts receivable

Accounts receivable are initially recognized at their fair value. Subsequent to initial recognition, they are recognized at amortized cost. If required, a bad debt provision is recognized on the basis of the risk of non-recovery of the receivables.

7.4 Cash and cash equivalents

Cash and cash equivalents are liquid assets and assets which can be converted into cash within less than 3 months that are subject to a negligible risk of change in value.

7.5 Non-current and current debt (including accounts payable)

Non-current and current debt (other than derivatives) is recognized at amortized cost.

7.6 Derivatives

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the "Level 2" category defined in IFRS 7.

Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.

For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expense recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating income.

A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expense recognized directly through equity" caption.

8 Inventories

Inventories are valued in the consolidated financial statements at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost of inventories is generally determined using the weighted average cost (WAC) method.

Cost of manufactured products inventories includes raw material and direct labour costs, and an allocation of production overheads and depreciation based on normal production capacity. Start-up costs and general and administrative costs are excluded from the cost of manufactured products inventories.

The net realisable value is the sale price as estimated for the normal course of business, less estimated costs for completion and sale.

9 Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party;
- its amount can be estimated reliably and corresponds to the best possible estimate of the commitment. In exceptional cases where the amount of the obligation cannot be measured with sufficient reliability, disclosure

is made in the notes to the financial statements in respect of the obligation (See note C21 Liabilities and contingent liabilities).

When it is expected that the Group will obtain partial or total reimbursement of the cost that was provided against, the expected reimbursement is recognized in receivables if, and only if, the Group is virtually certain of the receipt.

Legal expenses required for defence of the Group's interests are covered by a provision when significant.

Long-term provisions, other than provisions for pensions and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

The current (less than one year) portion of provisions is maintained within the "Provisions and other non-current liabilities" caption.

10 Pension and similar post-employment benefit obligations

In accordance with IAS 19 "Employee benefits":

- payments made in the context of defined contribution plans are recognized in expenses of the period;
- obligations in respect of defined benefit plans are recognized and valued using the actuarial projected unit credit method.

Post-employment benefits

For defined benefit plans, the valuation of obligations under the projected unit credit method principally takes into account:

- an assumption concerning the date of retirement;
- a discount rate which depends on the geographical region and the duration of the obligations;
- an inflation rate;
- assumptions in respect of future increases in salaries, rates of employee turnover and increases in health costs;
- the most recent mortality statistics for the countries concerned.

Differences which arise between the valuation of obligations and forecasts of such obligations (on the basis of new projections or assumptions) and between forecasts and outcomes of returns on plan assets are termed actuarial gains and losses.

The Group has opted to recognize actuarial gains and losses directly in shareholders' equity under the "Income and expense recognized directly through equity" caption, in accordance with the amendment to IAS 19 of December 2004.

On modification or creation of a plan, the portion of obligations which vest immediately as a result of past service is charged immediately to income; the portion of obligations which do not vest immediately is amortized over the remaining vesting period.

The amount of the provision takes account of the value of assets which are allocated to cover pension and other post-employment benefit obligations. The value of these assets is deducted from the provision for such benefit obligations.

A pension asset can be generated where a defined benefit plan is overfunded. The amount at which such an asset is recognized in the balance sheet may be subject to a ceiling, in application of paragraph 58 of IAS 19 and IFRIC 14.

Other long-term benefits

In respect of other long-term benefits, and in accordance with applicable laws and regulations, provisions are recognized using a simplified method. Thus, if an actuarial valuation using the projected unit cost method is required, actuarial gains and losses and all past service costs are recognized immediately in the provision, with a double entry being recognized to the income statement.

The net expense related to pension benefit obligations and other employee benefit obligations is recognized in recurring operating income, with the exception of:

- the effect of curtailments or settlements of plans which are presented under the “Other income and expenses” caption in the case of substantial modifications to such plans;
- the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits, which are classified within the financial result caption.

11 Greenhouse gas emissions allowances (EUA) and certified emission reductions (CER)

In the absence of an IFRS standard or interpretation relating to accounting for CO_2 emissions allowances, the following treatment has been adopted:

- allowances allocated without payment of consideration are recognized for a nil value,
- transactions carried out in the market are recognized at the transaction amount.

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA’s European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO_2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the “own use” exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories, and sales are recorded at their net-of-tax value on delivery of the CERs.

12 Recognition of sales

Sales are measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Sales are recognized on transfer to the purchaser of the risks and rewards related to ownership of the goods, which is determined mainly on the basis of the terms and conditions of the sales contracts.

13 Income taxes

13.1 Current taxes

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.

The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

The French Finance Act for 2010 introduced the local tax named CET (*Contribution Economique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). After analysing the methods for determining this contribution in the light of the positions of the IFRS IC and France's Accounting Standards Authority ANC (*Autorité des Normes Comptables*) in late 2009, the Group considered that in this specific case, the contribution meets the requirements to be treated as a current tax under IAS 12. The CVAE is therefore classified under "income taxes" from 1 January 2010.

13.2 Deferred taxes

The Group uses the liability method whereby deferred taxes are recognized based upon the temporary differences between the financial statement and tax basis of assets and liabilities, as well as on tax loss carry forwards and other tax credits, in accordance with IAS 12 "Income taxes".

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the year in which the asset will be realized or the liability settled, on the basis of tax rates (and tax legislation) that have been enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period, unless it relates to items that were previously debited or credited through equity. Deferred tax assets and liabilities are not discounted.

Deferred tax assets are recognized to the extent that their recovery is probable. In order to assess the likelihood of recovery of such assets, account is notably taken of the profitability outlook determined by the Group and historical taxable profits or losses.

A deferred tax liability is recognized for all taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless:

- the Group controls the timing of the reversal of the temporary difference, and
- it is probable that this difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if a legally enforceable right to offset current tax assets and liabilities exists and if they relate to income taxes levied by the same tax authority.

As the contribution based on companies' value added CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) is considered as a component of income taxes, the relevant calculation methods generate temporary differences for which a deferred tax liability of 1.5% of the value is recorded.

14 Information by segment

As required by IFRS 8, "Operating Segments", segment information for the Group is presented in accordance with the business segments identified in the internal reports that are regularly reviewed by general management in order to allocate resources and assess financial performance.

Following the sale of its vinyls activities in early July 2012, ARKEMA now has three new business segments: High Performance Materials, Industrial Specialties and Coating Solutions. Two members of the Executive Committee supervise these segments, and report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by IFRS 8, and are in regular contact with him for the purpose of discussing their sector's operating activity, financial results, forecasts and plans.

- High Performance Materials includes the following business units: Technical Polymers, Filtration and adsorption (Ceca) and Organic Peroxides. High Performance Materials provide innovative solutions with high value added, used in varied sectors such as transportation, oil extraction, renewable energies (photovolatics, lithium-ion batteries), consumer goods (beauty products, sports equipment, packaging, etc), electronics, construction, coatings and water treatment.
- Industrial Specialties groups the following business units: Thiochemicals, Fluorochemicals, PMMA and Hydrogen Peroxide. These integrated industrial niches on which ARKEMA is among the world leaders concern products used in several industrial sectors such as production of cold (refrigeration and air conditioning), oil and gas, paper pulp, animal nutrition, electronics and the automotive industry.
- Coating Solutions comprises the following business units: Acrylics, Coatings Resins, Rheology additives (Coatex) and UV-curing resins (Sartomer).

  This segment proposes solutions for decorative paints, industrial coatings, adhesives and high-growth acrylic applications (superabsorbers for disposable nappies, water treatment, oil and gas extraction).

Functional and financial activities which cannot be directly allocated to operational activities (notably certain research costs and central costs) are brought together in a Corporate segment.

15 Cash flow statements

Cash flows in foreign currencies are translated into euros using the average exchange rates of each period. Cash flow statements exclude foreign exchange differences arising from the translation into euros of assets and liabilities recognized in balance sheets denominated in foreign currencies at the end of the period (except for cash and cash equivalents). In consequence, cash flows cannot be recalculated on the basis of the amounts shown in the balance sheet.

16 Share-based payments

In application of IFRS2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that granted the stock options and free shares.

The fair value of the options is calculated using the Black & Scholes model, adjusted, in the case of plans awarded from 2011, for an illiquidity cost due to the non-transferability of instruments; the expense is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.
The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors' meeting that decides on the grant, adjusted for dividends not received during the vesting period and, in the case of plans awarded from 2011, for an illiquidity cost related to the period of non-transferability. The expense recognized also reflects the probability that the presence condition will be fulfilled. This expense is included in personnel expenses on a straight-line basis over the vesting period of the rights.

17 Earnings per share

Earnings per share corresponds to the division of net income (Group share) by the weighted average number of ordinary shares in circulation since the start of the year.
Diluted earnings per share corresponds to the division of net income (Group share) by the weighted number of ordinary shares, both of these figures being adjusted to take account of the effects of all dilutive potential ordinary shares.
The effect of dilution is thus calculated taking account of stock options and grants of free shares to be issued.

18 Discontinued operations and assets held for sale

A discontinued operation is defined, according to IFRS 5, as a component of the Group's activity that either has been disposed of, or is classified as held for sale and which represents a separate major line of business or geographical area of operations that forms part of a single coordinated disposal plan.
In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations":

- assets held for sale and related liabilities are presented on two specific lines of the balance sheet, without offsetting,
- a single amount, comprising the total profit or loss after taxes of discontinued operations, is reported in the income statement for the current period and the previous period,
- the Group's cash flow statement reports flows related to discontinued operations separately, except for cash flows related to financing if they cannot be identified separately for sales of assets,
- no further depreciation or amortization is recorded on depreciable/amortizable assets once they are classified as held for sale.

Assets held for sale net of the associated liabilities are measured and recognized at the lower of net book value and market value less costs necessary to complete the sale. Any losses are charged to income from discontinued operations.

The income statement, cash flow statement and balance sheet items relating to discontinued operations are presented in a specific note to the financial statements for the current financial year, with comparatives for the previous year.

19 Main accounting and financial indicators

The main performance indicators used are as follows:

- **Operating income:** this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;
- **Other income and expenses:** these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets, acquisition costs, negative goodwill on acquisitions on favourable terms and the valuation difference on inventories between their fair value at the acquisition date and their production cost,
  - large restructuring and environmental expenses which would hamper the interpretation of recurring operating income (including substantial modifications to employee benefit plans and the effect of onerous contracts),
  - expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations;
- **Recurring operating income:** this is calculated as the difference between operating income and other income and expenses as previously defined;
- **Adjusted net income:** this corresponds to “Net income – Group share” adjusted for the “Group share” of the following items:
  - other income and expenses, after taking account of the tax impact of these items,
  - income and expenses from taxation of an exceptional nature, the amount of which is deemed significant,
  - net income of discontinued operations;
- **EBITDA:** this corresponds to recurring operating income increased by depreciation and amortization;
- **Working capital:** this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses, income tax receivables and other current financial assets on the one hand and accounts payable, other creditors and accrued liabilities, income tax liabilities and other current financial liabilities on the other hand. These items are classified in current assets and liabilities in the consolidated balance sheet;
- **Capital employed:** this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **Recurring capital expenditure**: investments in tangible and intangible assets, excluding a limited number of investments of an exceptional nature that the Group presents separately in order to facilitate cash flow analysis in its financial reporting. These exceptional investments are unusual in size or nature, and are presented either as non-recurring investments or included in acquisitions and divestments;
- **Net debt:** this is the difference between current and non-current debt and cash and cash equivalents.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Information by business segment

Following the sale of its vinyls activities in early July 2012, ARKEMA now has three new business segments. The Jarrie and Saint-Auban facilities retained by the Group are included respectively in the Hydrogen Peroxide and Fluorochemicals business units of the Industrial Specialties segment. Figures at 31 December 2011 have been restated accordingly.

Operating income and assets of continuing operations are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

2012 *(In millions of euros)*	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	**Total**
Non-Group sales	2,101	2,096	2,175	23	**6,395**
Inter segment sales	17	109	78	-	
Total sales	**2,118**	**2,205**	**2,253**	**23**	
EBITDA	**361**	**399**	**279**	**(43)**	**996**
Depreciation and amortization	(109)	(114)	(87)	(8)	**(318)**
Recurring operating income	**252**	**285**	**192**	**(51)**	**678**
Other income and expenses	(18)	3	(8)	(4)	(27)
Operating income	**234**	**288**	**184**	**(55)**	**651**
Equity in income of affiliates	1	-	-	9	10
Intangible assets and property, plant, and equipment additions	122	159	137	20	438
- including: Recurring capital expenditure	110	98	123	20	351
Employees at year end	5,512	5,096	3,151	-	**13,759**
Goodwill, net	271	57	335	7	**670**
Intangible assets other than goodwill, and property, plant and equipment, net	670	771	645	58	**2,144**
Investments in equity affiliates	6	7	-	58	**71**
Non-current assets (excluding deferred tax assets)	30	37	13	103	**183**
Working capital	384	297	293	(3)	**971**
Capital employed	**1,361**	**1,169**	**1,286**	**223**	**4,039**
Provisions	(222)	(294)	(76)	(286)	(878)
Deferred tax assets	-	-	-	83	83
Deferred tax liabilities	-	-	-	(33)	(33)
Net debt	-	-	-	900	900

2011 *(In millions of euros)*	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	**Total**
Non-Group sales	1,952	2,114	1,814	20	**5,900**
Inter segment sales	17	99	82	-	
Total sales	**1,969**	**2,213**	**1,896**	**20**	
EBITDA	**337**	**441**	**284**	**(28)**	**1,034**
Depreciation and amortization	(99)	(109)	(63)	(1)	**(272)**
Recurring operating income	**238**	**332**	**221**	**(29)**	**762**
Other income and expenses	33	(30)	(50)	2	(45)
Operating income	**271**	**302**	**171**	**(27)**	**717**
Equity in income of affiliates	1	-	-	16	17
Intangible assets and property, plant, and equipment additions	100	126	120	19	365
- including: Recurring capital expenditure	100	98	94	19	311
Employees at year end	4,770	3,863	4,304	-	**12,937**
Goodwill, net	94	58	308	7	467
Intangible assets other than goodwill, and property, plant and equipment, net	614	741	618	43	2,016
Investments in equity affiliates	7	-	-	59	66
Non-current assets (excluding deferred tax assets)	22	30	11	81	144
Working capital	353	327	279	1	960
Capital employed	**1,090**	**1,156**	**1,216**	**191**	**3,653**
Provisions	(201)	(271)	(84)	(194)	(750)
Deferred tax assets	-	-	-	66	66
Deferred tax liabilities	-	-	-	(35)	(35)
Net debt	-	-	-	603	603

The figures in this table take account of reclassifications of internal margins on inventories between the Corporate segment and the business segments.

Breakdown of non-Group sales by CGU:

	2012	2011
High Performance Materials	**33%**	**33%**
- Technical Polymers	18%	17%
- Filtration and adsorption (Ceca)	6%	6%
- Organic Peroxides	9%	10%
Industrial Specialties	**33%**	**36%**
- Thiochemicals	9%	9%
- Fluorochemicals	10%	11%
- PMMA	10%	11%
- Hydrogen Peroxide	4%	5%
Coating Solutions	**34%**	**31%**
- Acrylics	13%	16%
- Coatings Resins	13%	9%
- Rheology Additives (Coatex)	3%	3%
- UV-curing resins (Sartomer)	5%	3%
Group total (excluding Corporate segment)	**100%**	**100%**

2 Information by geographical area

Non-Group sales are presented on the basis of the geographical location of customers. Capital employed is presented on the basis of the location of the assets.

2012 *(In millions of euros)*	**France**	**Rest of Europe**	**NAFTA** [1]	**Asia**	**Rest of the world**	**Total**
Non-Group sales	637	1,911	2,192	1,322	333	6,395
Capital employed	1,904	331	1,051	719	34	4,039
Intangible assets and property, plant, and equipment additions	208	31	115	83	1	438
Employees at year end	6,719	1,849	2,574	2,339	278	13,759

2011 *(In millions of euros)*	**France**	**Rest of Europe**	**NAFTA** [1]	**Asia**	**Rest of the world**	**Total**
Non-Group sales	614	1,797	1,956	1,290	243	5,900
Capital employed	1,726	352	1,116	439	20	3,653
Intangible assets and property, plant, and equipment additions	171	35	104	55	-	365
Employees at year end	6,668	1,840	2,768	1,423	238	12,937

(1) NAFTA: USA, Canada, Mexico

3 Research and development expenses

Research and development expenses are reported net of subsidies: they include salaries, purchases, sub-contracting costs, depreciation and amortization.

4 Other income and expenses

	2012			2011		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(9)	6	(3)	(24)	3	(21)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	(3)	-	(3)	(13)	-	(13)
Litigation and claims	(17)	5	(12)	(15)	14	(1)
Gains (losses) on sales and purchases of assets	(11)	2	(9)	(47)	37	(10)
Other	-	-	-	-	-	-
Total other income and expenses	**(40)**	**13**	**(27)**	**(99)**	**54**	**(45)**

In 2012, litigations and claims correspond to the net operating loss on the incident that occurred at the Evonik site in Marl (Germany) which produces CDT, a raw material used in production of polyamide 12. The net loss on sales and purchases of assets includes expenses associated with the acquisitions and divestments undertaken in 2011 and 2012.

In 2011, restructuring charges and asset impairment charges mainly concern the assets of the Coating Solutions and Industrial Specialty segments.

Gains (losses) on sales and purchases of assets generated a net expense of €10 million, chiefly relating to:

- acquisition of Total's UV-curing and coatings resins (expenses and the inventory value differential between acquisition and production cost amount to €42 million),
- the gain on sale of unconsolidated securities.

5 Financial result

Financial result includes (i) the cost of debt adjusted for capitalized financial expenses, (ii) as regards provisions for employee benefits, the interest cost, the expected return on plan assets and the actuarial gains and losses related to changes in the discount rate on other long-term benefits and (iii) the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate.

(In millions of euros)	**2012**	**2011**
Cost of debt	(39)	(31)
Financial income/expenses on provisions for employee benefits	(17)	(9)
Foreign exchange gains and losses (spot/forward exchange rate difference)	(1)	1
Capitalized interest	3	2
Other	-	-
Financial result	**(54)**	**(37)**

The average interest rate for the year on debt was approximately 3.4% (3.5% for 2011).

6 Adjusted net income

Net income - Group share may be reconciled to adjusted net income as follows:

(In millions of euros)	Notes	**2012**	**2011**
Net income - Group share		**220**	**(19)**
Other income and expenses	(C4)	27	45
Taxes on other income and expenses		(6)	(17)
Non-current taxation		-	(22)
Net income of discontinued operations	(C9)	200	587
Adjusted net income of continuing operations		**441**	**574**

7 Income taxes

7.1 Income tax expense

The income tax expense is broken down as follows:

(In millions of euros)	**2012**	**2011**
Current income taxes	(185)	(161)
Deferred income taxes	(1)	36
Total income taxes	**(186)**	**(125)**

The income tax expense amounts to €186 million for 2012 including €12 million for the CVAE (expense of €14 million in current taxes and income of €2 million in deferred taxes), compared with €125 million for 2011 including €10 million for the CVAE (see B13 Income taxes).

The income tax expense represents 27.4% of recurring operating income.

7.2 Analysis by source of net deferred tax assets (liabilities)

The analysis by source of the net deferred tax assets (liabilities) is as follows, before offset of assets and liabilities at fiscal entity level:

(In millions of euros)	**31/12/2011**	**Changes in scope**	**Changes recognized in shareholders' equity**	**Changes recognized in the income statement**	**Translation adjustments**	**Assets held for sale**	**31/12/2012**
Tax loss and tax credit carryforwards	10	1	-	-	-	-	11
Provisions for pensions and similar benefits	112	-	21	(8)	(1)	1	125
Other temporarily non-deductible provisions	228	5	(24)	(118)	(1)	181	271
Deferred tax assets	**350**	**6**	**(3)**	**(126)**	**(2)**	**182**	**407**
Valuation allowance on deferred tax assets	**(44)**	**-**	**(4)**	**68**	**-**	**(164)**	**(144)**
Excess tax over book depreciation	184	2	(18)	(64)	(1)	18	121
Other temporary tax deductions	91	5	(9)	7	-	(2)	92
Deferred tax liabilities	**275**	**7**	**(27)**	**(57)**	**(1)**	**16**	**213**
Net deferred tax assets (liabilities)	**31**	**(1)**	**20**	**(1)**	**(1)**	**2**	**50**

Other temporarily non-deductible provisions and valuation allowances on deferred tax assets include the expense described in note C9 Discontinued operations and assets held for sale.

After offsetting assets and liabilities at fiscal entity level, deferred taxes are presented as follows in the balance sheet:

(In millions of euros)	**31/12/2012**	**31/12/2011**
Deferred tax assets	83	66
Deferred tax liabilities	33	35
Net deferred tax assets (liabilities)	**50**	**31**

As the Group is able to control the timing of the reversal of temporary differences related to investments in subsidiaries and joint ventures, it is not necessary to recognize deferred taxes in respect of these differences.

7.3 Reconciliation between income tax expense and pre-tax income

(In millions of euros)	**2012**	**2011**
Net income of continuing operations	421	572
Income taxes	(186)	(125)
Pre-tax income of continuing operations	607	697
French corporate tax rate	34.43%	34.43%
Theoretical tax expense	(209)	(240)
Difference between French and foreign income tax rates	(2)	6
Tax effect of equity in income of affiliates	3	6
Permanent differences	(2)	16
Change in valuation allowance against deferred tax assets	(97)	28
Deferred tax assets not recognized (losses)	121	59
Income tax expense	**(186)**	**(125)**

The French corporate tax rate includes the standard tax rate (33.33%) and additional taxes applicable before 2011 and 2012. In view of the Group's tax position in France, the additional 5% contribution temporarily applicable from 2011 to 2015 has not been included in calculating the overall income tax rate, which therefore stands at 34.43%.

The net impact of the CVAE is included in permanent differences.

The tax losses for 2012 generated by discontinued operations were utilized in 2012 by continuing operations, or have been retained in the Group's tax loss carryforwards shown in the next paragraph.

7.4 Expiry of tax loss carryforwards and tax credits

The Group's unrecognised tax loss carryforwards and tax credits can be used up to their year of expiry, indicated in the table below:

(In millions of euros)	**31/12/2012**		**31/12/2011**	
	Base	Income taxes	Base	Income taxes
2012	-	-	-	-
2013	5	1	7	2
2014	4	1	7	2
2015	-	-	1	-
2016	6	1	5	2
2017 and beyond	17	5	2	-
Tax losses that can be carried forward indefinitely	1,256	428	874	297
Total	**1,288**	**436**	**896**	**303**
Carry back deductible	-	-	-	-

8 Business combinations

ARKEMA has finalized allocation of the acquisition price for the Total resins businesses and Seppic's specialty alkoxylate business, leading to adjustment of the associated goodwill; see note C11 Intangible assets.

On 1 February 2012, ARKEMA completed the acquisition of two Chinese companies: Hipro Polymers, a fast-expanding producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used in particular to manufacture these polyamides 10.10. The acquisition price is based on an enterprise value of US$ 365 million for 100% of the capital of both companies.

In October 2012, ARKEMA also acquired an additives and acrylic emulsion production site in Brazil.

The fair values of identifiable assets acquired and liabilities transferred at the acquisition date are as follows:

(In millions of euros)	**Fair value of Hipro Polymers and Casda Biomaterials acquired in China**	**Fair value of an acrylic emulsions site acquired in Brazil**
Intangible assets	15	6
Property, plant and equipment	43	9
Deferred tax assets	3	-
Other non-current assets	-	-
Total non-current assets	61	15
Inventories	18	1
Accounts receivable	14	-
Other receivables and prepaid expenses	0	1
Cash and cash equivalents	15	-
Total current assets	47	2
TOTAL ASSETS	**108**	**17**
Deferred tax liabilities	0	-
Provisions and other non-current liabilities	3	-
Total non-current liabilities	3	0
Accounts payable	8	-
Other creditors and accrued liabilities	6	-
Current debt	13	-
Total current liabilities	27	0
TOTAL LIABILITIES	**30**	**0**
Fair value of net assets	**78**	**17**
Goodwill	**177**	**0**

Recognition of these operations will be finalized within 12 months of the acquisition date.

Goodwill results mainly from expected development synergies and the businesses potential for growth.

Expenses incurred for all these operations were recorded in expenses for a total €1 million (see note C4 Other income and expenses).

9 Discontinued operations and assets held for sale

9.1 Income statement

The consolidated income statement for the vinyl business is as follows:

(In millions of euros)	**2012**	**2011**
Sales	**551**	**1,090**
Recurring operating income	**(67)**	**(66)**
Other income and expenses	(127)	(423)
Operating income	**(194)**	**(489)**
Financial result	(5)	(91)
Income taxes	(1)	(7)
Net income of discontinued operations	**(200)**	**(587)**
Of which: non-controlling interests	-	-
Net income - Group share	**(200)**	**(587)**
Depreciation and amortization	-	(42)
EBITDA *	(67)	(24)

(*) see note B19 Accounting policies / Main accounting and financial indicators

In 2012, discontinued operations generated a net loss of €(200) million. This includes the net loss from operations of €(73) million on business activity during the first half of 2012, and other income and expenses totalling €(127) million. These expenses include the impact of implementing the warranties negotiated during finalization of the workers' council information/consultation process, the costs of establishing the activity as a self-sufficient structure (legal and accounting fees for asset transfers, information systems, etc), recognition of additional impairment on working capital and various post-closing adjustments which are still in progress.

9.2 Balance sheet

The balance sheet items classified as assets held for sale are the following:

(In millions of euros)	**01/07/2012**	**31/12/2011**
Non-current assets	13	1
Current assets	295	379
Assets held for sale	**308**	**380**
Non-current liabilities	267	215
Current liabilities	112	238
Liabilities associated with assets held for sale	**379**	**453**

9.3 Cash flow statement

(In millions of euros)	**2012**	**2011**
Net income	(200)	(587)
Depreciation, amortization and impairment of assets	39	305
Provisions, valuation allowances and deferred taxes	43	151
(Gains)/losses on sales of assets	(10)	(2)
Change in working capital	(29)	(20)
Cash flow from operating activities	**(157)**	**(153)**
Cash flow from net investments	**(73)**	**(55)**

10 Earnings per share

Earnings per share and diluted earnings per share are presented below:

	2012	**2011**
Weighted average number of ordinary shares	62,177,689	61,629,841
Dilutive effect of stock options	541,665	550,263
Dilutive effect of free share grants	259,145	110,205
Weighted average number of potential ordinary shares	62,978,499	62,290,309

Earnings per share is determined below:

	2012	**2011**
Earnings per share (€)	3.54	(0.31)
Diluted earnings per share (€)	3.49	(0.31)
Earnings per share of continuing operations (€)	6.75	9.22
Diluted earnings per share of continuing operations (€)	6.67	9.12
Earnings per share of discontinued operations (€)	(3.21)	(9.53)
Diluted earnings per share of discontinued operations (€)	(3.18)	(9.43)
Adjusted net income per share (€)	5.92	8.11
Diluted adjusted net income per share (€)	5.84	8.03
Adjusted net income per share of continuing operations (€)	7.09	9.31
Diluted adjusted net income per share of continuing operations (€)	7.00	9.21

In 2012, all outstanding stock option and free share grant plans had a dilutive effect, except for the plans awarded in 2011 which were ultimately non-dilutive.

11 Intangible assets

11.1 Goodwill

	31/12/2012			**31/12/2011**
	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
(In millions of euros)				
Goodwill	1,096	(426)	670	467

The breakdown by segment, with allocation by CGU for goodwill above €50 million, is as follows:

	31/12/2012 Net book value	**31/12/2011** Net book value
(In millions of euros)		
High Performance Materials	**271**	**94**
of which: Technical Polymers	221	45
Industrial Specialties	**57**	**58**
Coating Solutions	**335**	**308**
of which: Acrylics	105	100
of which: Rheology additives (Coatex)	96	96
of which: UV-curing resins	103	77
Corporate	**7**	**7**
TOTAL	**670**	**467**

Changes in the net book value of goodwill are as follows:

(In millions of euros)	**2012**	**2011**
Net book value		
At 1 January	**467**	**282**
Acquisitions	0	0
Amortization and impairment	(3)	0
Disposals	(1)	0
Changes in scope	210	173
Translation adjustments	(3)	13
Reclassifications	0	0
Assets held for sale*	0	(1)
At 31 December	**670**	**467**

* See note C9 Discontinued operations and assets held for sale

The change in goodwill during 2012 corresponds to:

- acquisition of Hipro Polymers and Casda Biomaterials (€177 million) (see note C8 Business combinations),
- finalization of acquisition of Seppic's specialty alkoxylate business (€2 million),

- finalization of acquisition of Total's resins businesses (€31 million). The change results from reclassification of know-how as goodwill.

In 2011, ARKEMA acquired Total's resins activities and Seppic's specialty alkoxylate business for industrial markets, giving rise to recognition of provisional goodwill of €173 million.

11.2 Other intangible assets

(In millions of euros)	**31/12/2012** Gross book value	Accumulated amortization and impairment	Net book value	**31/12/2011** Net book value
Patents	144	(111)	33	26
Trademarks	34	(8)	26	25
Software and licences	168	(123)	45	39
Other intangible assets	349	(161)	188	220
Total	**695**	**(403)**	**292**	**310**

Changes in the net book value of intangible assets are as follows:

(In millions of euros)	**2012**	**2011**
Net book value		
At 1 January	**310**	**212**
Acquisitions	42	43
Amortization and impairment	(32)	(24)
Disposals	(1)	0
Changes in scope	(24)	65
Translation adjustments	0	4
Reclassifications	(2)	12
Assets held for sale*	(1)	(2)
At 31 December	**292**	**310**

* See note C9 Discontinued operations and assets held for sale

In 2012, the Group recognised €4 million of impairment on its other intangible assets.

12 Property, plant and equipment

(In millions of euros)	31/12/2012 Gross book value	31/12/2012 Accumulated depreciation and impairment	31/12/2012 Net book value	31/12/2011 Net book value
Land and buildings	1,333	(870)	463	455
Complex industrial facilities	2,902	(2,286)	616	566
Other property, plant and equipment	1,775	(1,332)	443	444
Construction in progress	331	(1)	330	241
Total	**6,341**	**(4,489)**	**1,852**	**1,706**

Other property, plant and equipment at 31 December 2012 mainly comprise machinery and tools with a gross value of €1,255 million (€1,681 million at 31 December 2011), and accumulated depreciation and provisions for impairment of €966 million (€1,269 million at 31 December 2011).

ARKEMA recorded impairment losses of €9 million on property, plant and equipment (€26 million in 2011).

Changes in the net book value of property, plant and equipment are as follows:

(In millions of euros)	2012	2011
Net book value		
At 1 January	**1,706**	**1,703**
Acquisitions	437	381
Depreciation and impairment	(300)	(304)
Disposals	(25)	(5)
Changes in scope	65	162
Translation adjustments	(10)	40
Reclassifications	5	(10)
Assets held for sale*	(26)	(261)
At 31 December	**1,852**	**1,706**

* See note C9 Discontinued operations and assets held for sale

The figures above include the following amounts in respect of assets held under finance lease arrangements:

	31/12/2012			**31/12/2011**		
(In millions of euros)	Gross value	Depreciation and impairment	Net value	Gross value	Depreciation and impairment	Net value
Complex industrial facilities and buildings	18	8	10	17	7	10

They mainly correspond to leases of a hydrogen production unit located at Lacq and a production unit at Carling.

13 Equity affiliates

	% ownership		Equity value		Equity in income (loss)		Sales	
(In millions of euros)	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Qatar Vinyl Company Ltd Q.S.C.	13%	13%	59	58	10	16	52	52
Arkema Yoshitomi Ltd	49%	49%	6	7	1	1	9	10
Meglas	33%	33%	-	1	-	-	3	3
CJ Bio Malaysia Sdn Bhd	14%	-	6	-	-	-	-	-
Investments			**71**	**66**	**11**	**17**	-	-
Loans			-	-	-	-	-	-
Total			**71**	**66**	**11**	**17**	**64**	**65**

14 Other investments

Other investments include the Group’s investments in various listed and non-listed companies, which are stated at historical cost.

The main movements in 2011 and 2012 are as follows:

(In millions of euros)	**2012**	**2011**
At 1 January	**35**	**38**
Acquisitions	2	12
Disposals	-	(15)
(Increases) / Reversals of impairment	(8)	-
Changes in scope	7	-
Translation adjustments	-	-
Other changes	-	-
At 31 December	**36**	**35**

15 Other non-current assets

	31/12/2012			**31/12/2011**		
(In millions of euros)	Gross value	Impairment	Net value	Gross value	Impairment	Net value
Loans and advances	144	(9)	135	105	(9)	96
Security deposits paid	12	-	12	13	-	13
Total	**156**	**(9)**	**147**	**118**	**(9)**	**109**

Loans and advances include amounts receivable from the French tax authorities in respect of the research tax credit. Loans and advances also include €35 million of receivables on Total related to the remediation costs in respect of closed industrial sites in the United States (see note C20.4 Provisions and other non-current liabilities / Provisions for environmental contingencies).

16 Inventories

(In millions of euros)	**31/12/2012**	**31/12/2011**
Inventories (cost)	**991**	**1,015**
Valuation allowance	(71)	(70)
Inventories (net)	**920**	**945**
Of which:		
Raw materials and supplies	*259*	*260*
Finished products	*661*	*685*

17 Accounts receivable, other receivables and prepaid expenses

At 31 December 2012, accounts receivable are stated net of a bad debt provision of €29 million (€22 million at 31 December 2011).

Other receivables and prepaid expenses notably include receivables from governments in an amount of €77 million (€75 million at 31 December 2011), including €72 million of VAT.

Details of accounts receivable net of valuation allowances are presented in note C23.4 Credit risk.

18 Cash and cash equivalents

(In millions of euros)	**31/12/2012**	**31/12/2011**
Short-term cash advances	9	6
Monetary mutual funds	218	99
Available cash	133	147
Cash and cash equivalents	**360**	**252**

19 Shareholders' equity

At 1 January 2011, Arkema S.A.'s share capital amounted to €615 million, divided into 61,493,794 shares including 136,280 treasury shares with nominal value of €10.

During 2011, the company bought back 210,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 132,200 shares to employees. The company held 214,080 treasury shares at 31 December 2011.

The company carried out two capital increases totalling €4 million in 2011 following the exercise of 370,783 stock options.

The shareholders' general meeting of 24 May 2011 adopted a resolution proposing to distribute a dividend of €1 per share, or a total amount of €61 million, in respect of the 2010 financial year.

At 31 December 2011, the share capital amounted to €619 million, divided into 61,864,577 shares.

On 18 April 2012, the Group carried out a capital increase reserved for Group employees: 535,013 shares were subscribed at a price of €54.51 per share set by the Board of Directors in its meeting of 7 March 2012.

During 2012, the Company bought back 250,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 150,046 shares to employees.

The Company carried out two capital increases on 30 June and 31 December 2012 totalling €10 million, following the exercise of 477,625 stock options. This increased Arkema S.A.'s share capital to €629 million divided into 62,877,215 shares.

The Annual General Meeting of 23 May 2012 adopted a resolution proposing to distribute a dividend of €1.30 per share, or a total amount of €81 million, in respect of the 2011 financial year.

20 Provisions and other non-current liabilities

20.1 Other non-current liabilities

Other non-current liabilities amount to €46 million at 31 December 2012 as against €41 million at 31 December 2011.

20.2 Provisions

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2012	**355**	**189**	**72**	**134**	**750**
Increases in provisions	38	11	9	45	103
Reclassification at 1 July 2012 of residual liabilities associated with discontinued operations [(1)]	4	-	-	66	70
Reversals from provisions utilized	(43)	(18)	(28)	(52)	(141)
Reversals of unused provisions	(2)	(2)	(2)	(23)	(29)
Changes in scope	-	-	-	2	2
Translation adjustments	(3)	(1)	-	(1)	(5)
Other [(2)]	85	-	-	-	85
Liabilities associated with assets held for sale [(3)]	(2)	-	(1)	-	(3)
At 31 December 2012	**432**	**179**	**50**	**171**	**832**
Of which less than one year		19	14	57	
Of which more than one year		160	36	114	

[(1)] This corresponds to the balance of provisions at 30 June 2012 related to divested businesses which were booked in the net income of discontinued operations prior to 30 June 2012. At 31 December 2012 the balance of these provisions was €39 million.

[(2)] "Other" includes actuarial gains and losses for the period.

[(3)] See note C9 Discontinued operations and assets held for sale.

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 31 December 2012	**432**	**179**	**50**	**171**	**832**
Portion of provisions covered by receivables or deposits	**-**	**35**	**-**	**1**	**36**
Deferred tax asset related to amounts covered by the Total indemnity	-	21	-	-	**21**
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 31 December 2012 net of non-current assets	**431**	**123**	**50**	**170**	**774**

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2011	**352**	**198**	**100**	**121**	**771**
Increases in provisions	26	10	14	52	102
Reversals from provisions utilized	(25)	(12)	(38)	(22)	(97)
Reversals of unused provisions	(8)	(6)	(2)	(19)	(35)
Changes in scope	11	4	-	3	18
Translation adjustments	5	3	-	2	10
Other(1)	28	1	-	13	42
Liabilities associated with assets held for sale (2)	(34)	(9)	(2)	(16)	(61)
At 31 December 2011	**355**	**189**	**72**	**134**	**750**
Of which less than one year		26	32	33	
Of which more than year		163	40	101	

(1) “Other” includes actuarial gains and losses for the period

(2) See note C9 Discontinued operations and assets held for sale

In addition, certain provisions are covered by non-current assets (receivables, deposits or pension assets):

(In millions of euros)	**Pensions and other employee benefit obligations**	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 31 December 2011	**355**	**189**	**72**	**134**	**750**
Portion of provisions covered by receivables or deposits	**-**	**39**	**-**	**1**	**40**
Deferred tax asset related to amounts covered by the Total indemnity	-	23	-	-	23
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 31 December 2011 net of non-current assets	**354**	**127**	**72**	**133**	**686**

20.3 Provisions for pensions and similar benefits

At 31 December 2012, provisions for pensions and similar benefits are comprised of pension benefit obligations for €325 million (€262 million at 31 December 2011), healthcare plans for €59 million (€56 million at 31 December 2011), long-service awards for €42 million (€33 million at 31 December 2011) and Group pre-retirement plans for €6 million (€4 million at 31 December 2011).

In accordance with the laws and practices of each country, ARKEMA participates in employee benefit plans offering retirement, death and disability, healthcare and special termination benefits. These plans provide benefits based on various factors such as length of service, salaries, and contributions made to the national bodies responsible for the payment of benefits.

These plans are either defined contribution plans or defined benefit plans. In certain cases they can be either partly or totally funded by investments in dedicated plan assets, mutual funds, general funds of insurance companies or other assets.

The Group's benefit obligations are mainly located in France, the United States, the Netherlands and Germany. The principal benefit obligations in respect of which funding has been put in place are pension benefits in France, the United States, the Netherlands and the United Kingdom. In France, supplementary pension plans closed up to 1973 at the latest, concerning an active working population, were subject to a transfer of pension rights to an insurance company.

The amounts relating to Group pre-retirement plans are not included in the schedules presented in paragraphs 20.3.1, 20.3.2 and 20.3.3. below.

20.3.1 Expense in the income statement

	Pension obligations		**Other obligations**	
(In millions of euros)	**2012**	**2011**	**2012**	**2011**
Service cost	11	10	3	2
Interest cost	22	21	3	3
Expected return on plan assets	(14)	(14)	-	-
Actuarial gains and losses recognized	-	-	8	(5)
Past service cost recognized	1	1	(1)	(1)
Curtailments and settlements	(3)	1	-	-
Other	-	-	-	-
(Income) / Expense: continuing operations	**17**	**19**	**13**	**(1)**
(Income) / Expense: discontinued operations	**1**	**1**	**-**	**(1)**

The actual return on plan assets is +€34 million in 2012 (+€12 million in 2011).

20.3.2 Change in net provisions over the period

	Pension obligations		Other obligations	
(In millions of euros)	**2012**	**2011**	**2012**	**2011**
Net liability / (asset) at beginning of year	**261**	**239**	**89**	**103**
Expense for the year	18	20	13	(2)
Contributions made to plan assets	(21)	(4)	-	-
Net benefits paid by the employer	(13)	(11)	(7)	(7)
Other	(2)	11	-	5
Actuarial gains and losses recognized in shareholders' equity	79	29	6	-
Net liability / (asset) held for sale *	2	(23)	-	(10)
Net liability / (asset) at end of year	**324**	**261**	**101**	**89**

* See note C9 Discontinued operations and assets held for sale

20.3.3 Valuation of benefit obligations and provisions at 31 December

a) Present value of benefit obligations

	Pension obligations		Other obligations	
(In millions of euros)	**2012**	**2011**	**2012**	**2011**
Present value of benefit obligations at beginning of year	**510**	**481**	**80**	**93**
Service cost	12	11	3	2
Interest cost	22	22	3	4
Curtailments	(3)	-	-	-
Settlements	(5)	(11)	-	-
Specific benefits	-	-	-	-
Plan participants' contributions	1	1	-	-
Benefits paid	(33)	(22)	(7)	(7)
Past service cost	-	-	-	-
Actuarial (gains) and losses	101	27	14	(6)
Changes in scope	-	20	-	4
Translation adjustment and other	(5)	10	-	-
Liabilities associated with assets held for sale *	2	(29)	1	(10)
Present value of benefit obligations at end of year	**602**	**510**	**94**	**80**

* See note C9 Discontinued operations and assets held for sale

b) Change in fair value of plan assets

Plan assets are mainly located in the United States, France, the Netherlands and the United Kingdom. They are mainly comprised of mutual funds, general funds of insurance companies and shares.

	Pension obligations	
(In millions of euros)	**2012**	**2011**
Fair value of plan assets at beginning of year	**(243)**	**(235)**
Expected return on plan assets	(14)	(14)
Curtailments	-	-
Settlements	5	11
Plan participants' contributions	(1)	(1)
Employer contributions	(21)	(4)
Benefits paid from plan assets	20	11
Actuarial (gains) and losses	(20)	2
Changes in scope	-	(13)
Translation adjustment and other	3	(6)
Liabilities associated with assets held for sale *	-	6
Fair value of plan assets at end of year	**(271)**	**(243)**

* See note C9 Discontinued operations and assets held for sale

The actuarial gains generated by the difference between the actual return on plan assets at 31 December 2012 and the expected return on plan assets amount to €20 million.

c) Provisions in the balance sheet

	Pension obligations		**Other obligations**	
(In millions of euros)	**2012**	**2011**	**2012**	**2011**
Present value of unfunded obligations	193	153	94	80
Present value of funded obligations	409	357	-	-
Fair value of plan assets	(271)	(243)	-	-
(Surplus) / Deficit of assets versus benefit obligations	**331**	**267**	**94**	**80**
Unrecognized actuarial (gains) and losses	-	-	-	-
Unrecognized past service cost	(7)	(7)	7	9
Asset ceiling	-	1	-	-
Net balance sheet provision	**324**	**261**	**101**	**89**
Provision recognized in liabilities	325	262	101	89
Amount recognized in assets	(1)	(1)	-	-

Changes in recent years in the obligation, the value of the plan assets and actuarial gains and losses are as follows:

(In millions of euros)	**2012**	**2011**	**2010**	**2009**
Obligations	696	590	574	608
Plan assets	(271)	(243)	(235)	(280)
Net obligations	**425**	**347**	**339**	**328**
Actuarial (gains) / losses on accumulated rights				
- experience adjustments	7	11	(1)	(9)
- effects of changes in actuarial assumptions	107	12	32	30

d) Pre-tax amount recognized through equity (SORIE) during the valuation period

(In millions of euros)	**Pension obligations**		**Other obligations**	
	2012	**2011**	**2012**	**2011**
Actuarial (gains) and losses generated in the period (A)	79	30	6	1
Effect of the surplus cap and the asset ceiling (B)	(1)	(1)	-	-
Total amount recognized in SORIE (A+B)	**78**	**29**	**6**	**1**
Cumulative actuarial (gains) and losses recognized in SORIE	**171**	**93**	**(21)**	**(27)**

e) Composition of the investment portfolio

Pension obligations

	At 31 December 2012				**At 31 December 2011**			
	France	**UK**	**Rest of Europe**	**USA**	**France**	**UK**	**Rest of Europe**	**USA**
Shares	-	60%	24%	57%	-	57%	14%	57%
Bonds	100%	40%	68%	33%	100%	38%	79%	23%
Monetary funds	-	-	-	-	-	1%	-	-
Property	-	-	-	10%	-	4%	-	11%
Other	-	-	8%	-	-	-	7%	9%

f) Actuarial assumptions

Main assumptions for pension benefit commitments and healthcare plan commitments:

	France 2012	**UK 2012**	**Europe 2012**	**USA 2012**	**France 2011**	**UK 2011**	**Europe 2011**	**USA 2011**
Discount rate	3.00	4.00	3.00	3.75	4.35	5.00	4.35	4.85
Expected return on plan assets	3.39	5.97 - 6.54	4.35 - 4.60	6.17	3.39	6.37	4.90	7.29
Rate of increase in salaries	1.50-4.79	3.00	2.00-3.00	4.00	2.00 - 4.79	3.60	3.00	4.00
Rate of increase of healthcare costs	-	-	-	-	-	-	-	-

The discount rate is determined based on indexes covering bonds by AA-rated issuers, with maturities consistent with the duration of the above obligations.

The expected rate of return on plan assets was determined for each plan on the basis of the expected individual long-term return on each category of assets comprising the portfolio funding the plan, and the actual allocation at the valuation date. It is the rate at the start of the period.

The rate of increase of healthcare costs has a negligible impact in the United States as a ceiling has been applied since mid-2006. Since 2008 the impact has been limited to the rate of inflation in Europe during the period over which rights vest.

Main assumptions for long-service awards in %:

	Europe 2012	**Europe 2011**
Discount rate	2.50	4.00
Rate of increase in salaries	1.80-3.50	1.80 - 3.50

A change of plus or minus 0.25% in the discount rate has the following effects on the present value of benefit obligations at 31 December:

Pension obligations and other obligations *(In millions of euros)*	**Europe 2012**	**USA 2012**
Increase of 0.25%	(13)	(10)
Decrease of 0.25%	13	10

20.4 Provisions for environmental contingencies

Provisions for environmental contingencies are recognized to cover expenses related to soil and water table clean-up, mainly:

- in France for €83 million (€85 million at 31 December 2011).
- in the United States for €76 million (€81 million at 31 December 2011), of which €56 million in respect of former industrial sites covered 100% by the Total Group indemnity (receivable recognized in “other non-current assets” for an amount of €35 million and €21 million recognized in deferred tax assets).

20.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €43 million (€64 million at 31 December 2011), in Europe outside France for €1 million (€2 million at 31 December 2011) and in the United States for €5 million (€6 million at 31 December 2011).

Increases in such provisions in the year correspond to the restructuring plans described in note C4 Other income and expenses.

20.6 Other provisions

Other provisions amount to €171 million and mainly comprise:

- provisions for labour litigation for €39 million (€45 million at 31 December 2011),
- provisions for commercial litigation and warranties for €56 million (€41 million at 31 December 2011),
- provisions for tax litigation for €30 million (€28 million at 31 December 2011),
- provisions for other risks for €46 million (€20 million at 31 December 2011).

21 Liabilities and contingent liabilities

21.1 Environment

ARKEMA's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of ARKEMA's liability being called upon, particularly in respect of clean-up of sites and industrial safety.

Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized, ARKEMA's general management considers that the environmental liabilities identified at this point are valued and recognized to the best of their knowledge in the financial statements. However if laws, regulations or government policy in respect of environmental matters were to change, ARKEMA's obligations could change, which could lead to additional costs.

Clean-up of sites

The competent authorities have made, are making or may in the future make specific demands that the Group rehabilitate or control emissions at certain sites that it is currently operating, or that it operated or disposed of in the past, at neighbouring sites or at sites where the Group stored or disposed of waste.

21.1.1 Sites currently in operation

ARKEMA has many sites of which a certain number are probably polluted in view of their age and the range of activities that are carried out on them, or that were carried out on them in the past. As regards these sites, certain situations have been identified and ARKEMA has already carried out certain clean-up work, or otherwise developed action plans and recognized provisions in order to cover future clean-up work.

However, in the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown, (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. “pump and treat”), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be higher than the amounts covered by provisions cannot be excluded. These potential excess costs relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Lannemezan (France), Loison (France), Mont (France), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands), Saint-

Auban (France), Saint Fons (France) and Zaramillo (Spain) and could adversely affect the Group's business, results and financial condition.

- Saint-Auban (Arkema France)

As regards the site of Saint-Auban, the legal proceedings brought against Arkema France before the Nanterre correctional court are now closed: Arkema France was ordered by Nanterre court on 9 March 2012 to pay a fine of €30,000 for pollution of the Durance, €15,000 in damages to the associations in the opposing party and €10,000 compensation for moral prejudice.

- Spinetta (Arkema Srl)

In late 2009, a certain number of managers and directors of Arkema Srl were named in a criminal investigation for underground water pollution at the Spinetta site and withholding information from the authorities of the true extent of existing pollution. This investigation also concerns employees of the main industrial operator on the site.
After hearing all the parties, the Preliminary Hearing Judge decided in early 2012 that the only charge applicable to representatives of Arkema Srl is the failure to take remedial action against the pollution observed.
Arkema Srl considers that it is difficult to determine with certainty whether the company and/or the managers or directors cited in this new phase of the criminal investigation could be considered to have liability. The court could issue its ruling during 2013. A provision is recorded in ARKEMA's financial statements in an amount which the Group considers adequate.

21.1.2 Closed industrial sites (former industrial sites)

Total directly or indirectly took over the closed industrial sites at the date of the Spin-Off of Arkema's Businesses on 10 May 2006.
Since the Spin-Off, the former Dorlyl SNC sites have been closed and sold. The Wettern site in Belgium belonging to Résil Belgium, and the Bonn site in Germany belonging to Arkema GmbH have also been closed and are currently in the process of divestment.

21.1.3 Sites sold

- Saint Fons (Arkema France)

In the sale of ARKEMA's vinyl business to the Klesch Group on 3 July 2012, all industrial installations on the Saint Fons site were transferred to Kem One, apart from the land, which is held under a long-term lease.
The Prefect of the Rhône region issued a decision on 14 May 2007 concerning the Saint Fons site, ordering Arkema France to carry out quality monitoring on underground water and propose a plan to manage the legacy pollution. In a ruling of 29 September 2011, the Lyon administrative court rejected Arkema France's petition against this decision. Arkema France appealed this ruling, and the case is currently pending before the Lyon appeal court. Should Arkema France lose its appeal, rehabilitation of the site affected by the pollution would be the company's responsibility.

Following the legal action instigated by Arkema France against Rhodia Chimie, the previous operator of the site, the Bobigny commercial court declared Arkema France's action inadmissible in 2012. Arkema France reserves the right to appeal this decision in the months following its notification. A provision has been established in ARKEMA's financial statements in connection with this matter.

The Prefect of the Rhône region wanted to expand and separate the requirements concerning monitoring and management of the legacy pollution of the Saint Fons site prior to formal administrative recognition of Kem One as the new operator. He consequently issued two additional decisions against Arkema France, dated 19 June and 27 June 2012. Arkema France has petitioned the Lyon administrative court for cancellation of both decisions. A provision has been established in ARKEMA's financial statements in connection with this matter.

- CECA

In 1999, the company Intradis commissioned the company Antéa to carry out a survey on a site located in France which had been used for industrial purposes and in particular by CECA (manufacture of sulphuric acid) and the company Hydro Agri (a fertilizer factory which does not belong to the Group). The survey classified the site in category 1 (a site requiring in-depth investigations and a detailed risk assessment). After receipt of the report by the expert appointed to determine the nature and extent of the pollution affecting the land, Intradis applied to the administrative court to have the prefectoral order requiring it to take measures to protect the site cancelled. This application was rejected by the administrative court. In a judgment dated 18 October 2007, the Douai administrative appeal court overturned the previous judgment, cancelled the prefectoral order and decided that there was no need to rule on Intradis' conclusions against CECA.
No notable developments have arisen on this litigation since 2008. The judgment of the Douai administrative appeal court definitively closes the proceedings initiated by Intradis in the administrative court system. As of today, it is not possible for the Group to evaluate whether any other forms of appeal, notably through civil proceedings, may be initiated.

21.2 Litigation, claims and proceedings in progress

21.2.1 Labour litigation

a) Occupational illness (France)

In the manufacture of its products, the Group uses and has used toxic or hazardous substances. Despite the safety and monitoring procedures that have been instituted at Group level and for each production site, Group employees may have been exposed to such substances and may develop specific pathologies as a result of such exposure.
In this respect, like most industrial companies, in the past, the Group has used a variety of insulating or heat-proofing materials containing asbestos in its production facilities. Consequently, certain employees may have been exposed to such materials before they were gradually eliminated and replaced with substitute products.
At its French sites, the Group anticipated the regulatory provisions applicable to asbestos (Decrees No. 96-97 and 96-98 of 7 February 1996 and Decree No. 96-1133 of 24 December 1996). The Group made an inventory of asbestos-

containing building materials within its premises, notified employees of the results of these investigations and took the collective and individual protective measures required by the applicable laws. However, claims for occupational illness related to past asbestos exposure have been filed against the Group, mostly for periods before 1980. Given the latency period of asbestos-related pathologies, a large number of claims for occupational illness are likely to be filed in the years ahead.

The Group has recognized provisions to cover the risks of employer liability claims related to notified cases of occupational illness.

b) Prejudice related to asbestos (Arkema France)

A large number of former employees of Arkema France, who worked on sites included in the list of establishments whose workers were eligible for the early retirement system for asbestos workers, are parties to proceedings before the employee claims court, claiming compensation for the prejudice allegedly caused by the possible risk of developing a malignant condition in the future.

In a ruling of 11 May 2010, the labour chamber of the Court of Cassation recognized the existence of a prejudice of anxiety, eligible for compensation, for employees exposed to asbestos during their working life. However, it rejected the existence of an economic prejudice resulting from departure under the early retirement system.

For Arkema France, in the cases currently in process, certain courts of first instance have ordered Arkema France to pay compensation for the prejudice of anxiety, but also for the "upheaval in living conditions". Meanwhile, the Metz appeal court ordered Arkema France to pay compensation solely for the prejudice of anxiety.

It is likely that other former employees of Arkema France who may have been exposed to asbestos may also take action before an employee claims court to claim compensation. 600 claims are currently in process before the employee claims courts, seeking compensation for the prejudice of anxiety and/or the prejudice of upheaval in living conditions allegedly caused by exposure to asbestos.

A provision has been recognized in the financial statements in respect of the litigations currently in progress, for an amount that the Group considers adequate.

c) Break times (Arkema France)

In 2005, 260 employees and former employees of the Pierre-Bénite site made a claim for damages with the Lyon employee claims courts for alleged non-compliance with the terms of the chemicals industry branch agreement over break times. The claimants considered that, given the manner in which work is organized and structured on this site, the break granted to them does not allow them to be released from all work and to be able to freely go about their personal affairs. The claim for compensation amounts to €5.2 million. Arkema France contested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. On 21 November 2011 the Lyon appeal court upheld the judgment of 24 June 2008 and fully rejected the appeals of all claimants. Arkema France has been informed of 176 appeals, but in view of the known information on the matter the provision existing until the appeal stage was reversed in 2011 pending the decisions as to the admissibility of these appeals, which should be issued in March 2013.

21.2.2 Commercial litigation and warranties

- Antitrust litigation

The Group is involved in a number of proceedings in Europe and Asia alleging violations of antitrust laws relating to cartel behaviour. There are currently no remaining litigations or proceedings against Arkema Inc. or Arkema France in the United States and Canada.

The appeal proceedings by Arkema France before the European Union's General Court following the European Commission's decisions in the heat stabilizers case are still pending. The court's decision is expected during 2013.

The hydrogen peroxide proceedings against Arkema France initiated by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA before the Dortmund (Germany) Tribunal is still pending. The same applies to the claim concerning sodium chlorate brought before the Amsterdam court by an affiliate of CDC (CDC Project 13 S.A.). It is not reasonably possible at this stage to predict the date of the rulings.

In addition, it cannot be ruled out that civil suits for damages may be filed by third parties claiming to be victims of the violations in relation to which fines have been imposed by the European Commission.

Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitely held against it by the relevant jurisdictions after exercise of any recourse available, and so has not recognized any provisions in this respect.

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema's Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS, the main terms of which are described in note C29 Off-balance sheet commitments.

- Breach of contract (Arkema France)

In 1995, the company Gasco brought a claim for damages against Elf Atochem (the former name of Arkema France) before the court in Ghent (Belgium) in respect of an alleged breach of contract and breach of an exclusivity agreement. At first instance, Gasco obtained a judgment against Atofina for payment of €248,000 by way of damages for breach of contract (payment of that sum has been made) but its claim for breach of the exclusivity agreement was dismissed. Appeal proceedings have been pending before the Ghent Court of Appeal since 1999, and no developments have arisen since then. Having regard to the weak basis of the allegations made against it and the defences available to the Group, the Group's view as the matter currently stands is that the amount of the provision made for this matter in the accounts is adequate. No significant developments arose on this case in 2012.

- Product conformity (Arkema France)

Arkema France supplies various products for the coating of items used in a number of European countries in the manufacture of sanitary treatment facilities. These products are subject to inspection on the part of approved laboratories which must certify their conformity with the applicable sanitary regulations. Arkema France has an interpretation of the regulations applicable in France that diverges from that of a French laboratory and the public authorities as regards regulatory clearance in France of a product, even though this product is approved in other European Union countries. The Group takes the view that this problem is essentially administrative in nature, and no provision has been recognized in the financial statements. However, the possibility that users might seek to attach liability to Arkema France as the supplier cannot be excluded. In the event that such claims were successful, the costs of replacement of the products and the damages that could be claimed could prove to be extremely high.

- Deer Park Capacity Reservation Contract (Arkema Inc. and Arkema France)

On 5 August 2010, Rohm and Haas served Arkema Inc. and Arkema France with a petition in the District Court of Harris County, Texas. The petition asserts various claims against Arkema Inc. associated with the Deer Park, Texas Capacity Reservation Contract, MMA Swap Agreement, and MMA Supply Agreement. The claims are in particular for breaches of contract.

On 1 October 2010 an Amended Complaint filed by Rohm and Haas sought to terminate Arkema Inc.'s right under the Deer Park Capacity Reservation Contract as of 1 April 2014. On 21 April 2011, the Court in Texas held that the Capacity Reservation Contract "remains in full force and effect" and that Arkema Inc.'s purchase rights under such contract "shall continue for the life of the Deer Park Facility." Rohm and Haas was refused permission from the trial court to appeal that decision. After a settlement was reached on 29 June 2012, the parties withdrew the ongoing action.

On 13 August 2010, Rohm and Haas filed a Notice of Arbitration and Statement of Claim with the American Arbitration Association in New York. The arbitration claim seeks relief from the alleged failure of Arkema France to enter into a replacement swap agreement for MMA. The association found in favour of ARKEMA on 9 October 2012, putting an end to the litigation. However, on 27 December 2012, Rohm & Haas applied to the New York Southern District Court for cancellation of this decision on the grounds of irregularity of form. ARKEMA considers this application unfounded, and intends to vigorously defend the arbitration decision issued.

- Environmental engineering activities (CECA)

The past environmental engineering activities of CECA have given rise to various claims by third parties. These claims have been transmitted to the Group's insurers. The Group has recognized provisions that it considers adequate. The possibility cannot be excluded that this activity, which has now ceased, may give rise to further claims in the future.

21.2.3 Tax litigations

- Arkema Quimica Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Quimica Limitada, offset certain tax assets and liabilities commencing in 2000. The Brazilian government contests the justification for this offset and in 2009 claimed repayment of 19.5 million reais (around €7 million).

Arkema Quimica Limitada lodged a counter-claim in mid-June 2009 for cancellation of the tax administration's claim concerning the current portion of the liability. During the first quarter of 2010 Arkema Química Limitada applied to benefit from the tax amnesty law that would allow it to pay only part of its overall tax liability. The tax authorities accepted the terms for payment of the liability subject to amnesty, and only an amount of 9.2 million reais or around €3.4 million at 31 December 2012 remains concerned by an appeal before the courts, which ARKEMA considers has reasonable chances of success. An initial decision could be made in 2013. No provision has been established in the financial statements.

- Arkema

In 2009 the Large Companies section of the French tax authorities carried out a tax audit of Arkema's salary tax (*taxe sur les salaires*) for the years 2007 and 2008, resulting in notification of a €1.2 million reassessment, as it was considered that all the Company's employees had a cross-functional activity and therefore that their pay should be partially subject to this tax. Following a previous ruling by the Council of State in favour of the tax authorities' position, negotiations covering the whole period 2007-2010 were begun with the tax authorities during their audit of Arkema's financial statements 2008 to 2010. The provision of €1.6 million recognized at 31 December 2012 will cover all costs related to the negotiated settlement.

21.2.4 Other litigation

- TGAP tax on polluting activities (Arkema France)

Under the terms of a services agreement, Arkema France has the effluent produced by its industrial operations at Lacq and Mourenx treated by Total E&P France, which has specific authorization to inject this effluent, together with effluent it produces itself, into a cavity called Crétacé 4000.

The French customs authorities issued a tax demand of €6.7 million to Total, covering the years 2003 to 2006, for non-payment of the French general tax on polluting activities (*taxe générale sur les activités polluantes*, or TGAP) which, according to the authorities, should be applied to these injections of effluent. Total has appealed the court of first instance's rejection of its petition for cancellation of the tax demand which nonetheless acknowledged that Total's own effluents should be exempt from the TGAP. In February 2013 the appeal court rejected Total's appeal. No provision has been recorded in the financial statements. The possibility cannot be ruled out that, at the end of any further appeal proceedings, Total may still be required to pay all or part of the TGAP assessed, of which ARKEMA could be liable for a portion.

- Asbestos risk (Arkema Inc.)

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments have arisen in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere. When they are not covered by insurance policies, provisions have been made for these proceedings in an amount which the Group considers sufficient. However, due to the continuing uncertainties as to the outcome of these proceedings, the Group is not, as at the date of these financial statements, in a position, having regard to the information available to it, to estimate the total amount of the claims that might finally be upheld against it by the various competent courts after the exhaustion of any avenues of appeal.

- Kem One

ARKEMA sold its vinyls activities, grouped into the Kem One group, to the Klesch group which specializes in development of industrial commodity businesses, with effect from 1 July 2012.
Certain contracts, mainly concerning supplies of utilities for the Lavéra platform and electricity purchases from Exeltium, could not be transferred at the sale date. ARKEMA thus retained these contracts temporarily, until 31 December 2012 at the latest except for the Exeltium contract which will be retained until it expires, and entered into "mirror" contracts with Kem One. Consequently, ARKEMA invoices Kem One for the amounts due to the relevant suppliers. At 31 December the amounts invoiced and not yet paid totalled €65 million, of which €49 million had fallen due. Given the specific situation resulting from difficulties encountered by the Lavéra steamcracker in particular, ARKEMA has agreed to defer settlement, with no provision recognized in the financial statements at 31 December 2012.
ARKEMA has also set up certain guarantees to third parties for a transitional period in connection with certain contracts transferred. These guarantees represent a maximum amount of €100 million and no calls had been made on them at 31 December 2012. In application of the sale agreement signed with the Klesch group, these commitments are covered by collateral to the extent of €40 million, with the balance covered by an indemnity clause by Klesch Chemicals Ltd.
At the date of this document, ARKEMA and Kem One have not yet finalized their agreement on the final amount of sale price adjustments.

- Coem (Arkema France)

As there were no product supplies by Kem One to the Italian company Coem, Coem issued a written complaint to Arkema France and Kem One in August 2012 that it had suffered injury through breach of commercial relations. No provision has been recognized in the financial statements.

21.2.5 Statutory training entitlement

The French Act of 4 May 2004 relating to professional training created a statutory training entitlement (DIF). Each employee has an entitlement to at least 20 hours' training per year (which can be accumulated over 6 years). Use of the statutory training entitlement is at the employee's initiative, in agreement with the employer.
ARKEMA's investment in training will represent, in 2013, approximately 3.5% of payroll costs (2.8% of DIF-eligible expenses and 0.7% of non-eligible expenses).
In ARKEMA, nearly 35% of training initiatives in the 2013 training plan will qualify for the statutory training entitlement and will therefore be systematically proposed as a priority to employees with a statutory training entitlement.

In addition, branch agreements in the chemicals industries have enabled priority training initiatives in respect of the statutory training entitlement to be defined and, in this context, part of the teaching costs can be taken as a charge by the employee benefit body responsible for the scheme's administration. In these conditions, implementing the statutory training entitlement does not result in any additional costs for ARKEMA

22 Debt

Group net debt amounted to €900 million at 31 December 2012, taking account of cash and cash equivalents of €360 million. It is mainly denominated in euros.
The Group has the following instruments:

- In April 2012, the Group issued a €230 million bond that will mature on 30 April 2020, with a fixed coupon of 3.85%. A further €250 million tap issue was undertaken in October 2012, bringing the total amount of this bond issue to €480 million.

At 31 December 2012 the fair value of this bond is €523 million.

- On 26 July 2011, the Group put in place a multi-currency syndicated credit facility of €700 million, with a duration of five years, maturing on 26 July 2016. This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of ARKEMA. It includes:

(i) standard information undertakings and commitments for this type of financing
(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3. This ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.

- In October 2010, the Group issued a €500 million bond that will mature on 25 October 2017, with a fixed coupon of 4.00%.

At 31 December 2012 the fair value of this bond is €554 million.

- The Group also has a securitization programme for sales receivables with no deconsolidating effect, representing a maximum financing initially set at €240 million, and subsequently reduced to €120 million in November 2012.

This programme was used for an amount of €100 million at 31 December 2012.

22.1 Analysis of net debt by category

(In millions of euros)	**31/12/2012**	**31/12/2011**
Bonds	989	496
Finance lease obligations	3	3
Bank loans	59	48
Other non-current debt	20	36
Non-current debt	**1,071**	**583**
Finance lease obligations	-	1
Syndicated credit facility	-	-
Other bank loans	160	149
Other current debt	29	122
Current debt	**189**	**272**
Debt	**1,260**	**855**
Cash and cash equivalents	360	252
Net debt	**900**	**603**

22.2 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	**31/12/2012**	**31/12/2011**
Euros	1,137	722
US Dollars	11	17
Chinese Yuan	98	105
Other	14	11
Total	**1,260**	**855**

22.3 Analysis of debt by maturity

The breakdown of debt, including interest costs, by maturity is as follows:

(In millions of euros)	**31/12/2012**	**31/12/2011**
Less than 1 year	211	293
Between 1 and 2 years	49	30
Between 2 and 3 years	52	34
Between 3 and 4 years	53	35
Between 4 and 5 years	560	39
More than 5 years	575	567
Total	**1,500**	**998**

23 Management of risks related to financial assets and liabilities

ARKEMA's businesses expose it to various risks, including market risks (risk of changes in exchange rates, interest rates and the prices of raw materials, energy and listed shares), credit risk and liquidity risk.

23.1 Foreign currency risk

The Group is exposed to transaction risks and translation risks related to foreign currencies.

The Group hedges the foreign currency risk mainly through spot foreign currency transactions or through forward transactions over short maturities, generally not exceeding 6 months.

The fair value of the Group's forward foreign currency contracts is an asset of €7 million.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2012 is a positive €1 million (foreign exchange gains and losses were in equilibrium at 31 December 2011).

The portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result. It amounts to a negative €1 million at 31 December 2012 (positive €1 million at 31 December 2011).

At 31 December 2012, the Group's balance sheet exposure in transaction currencies other than the euro was as follows:

Group exposure to operational foreign currency risk *(In millions of euros)*	**USD**	**CNY**	**Other currencies**
Accounts receivable	336	40	117
Accounts payable	(133)	(35)	(42)
Bank balances and loans/borrowings	16	(43)	31
Off balance sheet commitments *(forward currency hedging)*	(126)	0	(80)
Net exposure	**93**	**(38)**	**26**

This net exposure comprises all Group companies' outstanding amounts stated in any of the above currencies, whether their accounting currency is one of those currencies or a different currency.

23.2 Interest rate risk

Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at 31 December 2012.

An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of increasing (decreasing) the interest on net debt by €2 million.

At 31 December 2012, debt is distributed between variable and fixed rates as follows:

	Variable rates	Fixed rates		
(In millions of euros)	overnight – 1 year	1 - 5 years	Beyond	**Total**
Current and non-current debt	(260)	(506)	(494)	**(1,260)**
Cash and cash equivalents	360			**360**
Net exposure before hedging	100	(506)	(494)	**(900)**
Hedging instruments	-	-	-	**-**
Off-balance sheet items	-	-	-	**-**
Net exposure after hedging	**100**	**(506)**	**(494)**	**(900)**

23.3 Liquidity risk

The Group's central treasury department manages the liquidity risk associated with the Group's debt.
Liquidity risk is managed with the main objective of ensuring renewal of the Group's financing and, in the context of meeting this objective, optimizing the annual financial cost of the debt.
In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.

The Group reduces the liquidity risk by spreading maturities, favouring long maturities and diversifying its sources of financing. The Group thus has:

- a €230 million bond maturing on 30 April 2020, with an additional tap issue in October 2012 bringing the total nominal value to €480 million
- a €500 million bond maturing on 25 October 2017
- a €700 million syndicated credit facility maturing on 25 July 2016
- a securitisation programme for sales receivables, representing a maximum financing of €240 million, reduced to €120 million in November 2012.

These financing arrangements are intended to cover all the Group's financing requirements and giving it sufficient flexibility to meet its obligations.
Apart from a change of control, the main circumstances in which early repayment or termination could occur concern the syndicated credit facility (see note C22 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. This ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures, for a maximum of two non-consecutive test dates.
The Group's net debt at 31 December 2012 amounts to €900 million and represents 0.9 times consolidated EBITDA for the last 12 months.
At 31 December 2012, the amount available under syndicated credit facilities with maturity of over 1 year is €700 million and the amount of cash and cash equivalents is €360 million.

Note C22 Debt provides details of the maturities of debt.

23.4 Credit risk

The Group is potentially exposed to credit risk on its accounts receivable and as regards its banking counterparts.

Credit risk on accounts receivable is limited because of the large number of its customers and their geographical dispersion. No customer represented more than 3% of Group sales in 2012. The Group's general policy for managing credit risk involves assessing the solvency of each new customer before entering into business relations: each customer is allocated a credit limit, which constitutes the maximum level of outstandings (receivables plus orders) accepted by the Group, on the basis of the financial information obtained on the customer and the analysis of solvency carried out by the Group. These credit limits are revised regularly and, in any case, every time that a material change occurs in the customer's financial position. Customers who cannot obtain a credit limit because their financial position is not compatible with the Group's requirements in terms of solvency only receive deliveries when they have paid for their order.

Even though the Group has incurred very few bad debts for the last number of years, it has decided to cover its accounts receivable credit risk by putting in place a global credit insurance program. On account of the statistically low bad debt rate experienced by the Group, the rate of cover is significant. Customers with whom the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

In addition, the Group's policy for recognizing bad debt provisions in respect of receivables not covered by credit insurance, or the portion of receivables that are not so covered, has two components: receivables are individually provided against as soon as a specific risk of loss (economic and financial difficulties of the customer in question, entry into receivership, etc.) is clearly identified. The Group may also recognize general provisions for receivables that are overdue for such a period that the Group considers that a statistical risk of loss exists. These periods are adapted depending on the business units and the geographical regions in question.

At 31 December 2012, accounts receivable net of provisions are distributed as follows:

(In millions of euros)	**31/12/2012**	**31/12/2011**
Accounts receivable net of provisions	**920**	**834**
Net receivables by maturity:		
Receivables not yet due	842	796
Receivables overdue by 1-15 days	29	27
Receivables overdue by 16-30 days	8	4
Receivables overdue by more than 30 days	41	7
Total net receivables	**920**	**834**

Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group limits its exposure to credit risk by only investing in liquid securities with first-class commercial banks.

The net carrying amount of financial assets indicated in note C24 Presentation of financial assets and liabilities represents the maximum exposure to credit risk.

23.5 Risk related to raw materials and energy

The prices of certain raw materials used by ARKEMA are highly volatile and their fluctuations lead to significant variations in the cost price of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its manufacturing processes, ARKEMA is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.
Recognition of these derivatives had an impact of €2 million on the income statement at 31 December 2012 (impact of €2 million at 31 December 2011).

23.6 Listed shares risk

In 2011, the Group acquired a 19.9% equity stake in the listed company Canada Fluorspar Inc. for CAD 15.5 million. Apart from treasury shares, Group companies hold no other stakes in listed companies.
At 31 December 2012 the Company held 314,034 of its own shares. These shares are used to cover its free share grant plans.
In compliance with IAS 32, changes in share price have no impact on the Group's consolidated shareholders' equity. The equity risk is not material for the Company.

24 Presentation of financial assets and liabilities

24.1 Financial assets and liabilities by accounting option

2012

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	36	**36**
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	87	-	**87**
Accounts receivable	(C17)	-	-	920	-	**920**
Cash and cash equivalents	(C18)	360	-	-	-	**360**
Derivatives *	(C24.2)	4	4		-	**8**
Financial assets		**364**	**4**	**1,007**	**36**	**1,411**
Current and non-current debt	(C22)	-	-	1,260	-	**1,260**
Accounts payable		-	-	683	-	**683**
Derivatives *	(C24.2)	2	-	-	-	**2**
Financial liabilities		**2**	**0**	**1,943**	**0**	**1,945**

* Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".

2011

IAS 39 category Class of instruments *(In millions of euros)*	Notes	Assets/liabilities measured at fair value through profit or loss	Assets/liabilities measured at fair value through shareholders' equity	Assets/ liabilities measured at amortized cost	Available for sale assets	Total net carrying amount
Other investments	(C14)	-	-	-	35	**35**
Other non-current assets (loans and advances, security deposits paid)	(C15)	-	-	68		**68**
Accounts receivable	(C17)	-	-	834	-	**834**
Cash and cash equivalents	(C18)	252	-	0	-	**252**
Derivatives *	(C24.2)	1	8			**9**
Financial assets		**253**	**8**	**902**	**35**	**1,198**
Current and non-current debt	(C22)	-	-	855	-	**855**
Accounts payable		-	-	665	-	**665**
Derivatives *	(C24.2)	9	3	-	-	**12**
Financial liabilities		**9**	**3**	**1,520**	**0**	**1,532**

* Derivatives are carried in the balance sheet in the captions "Other current financial assets" and "Other current financial liabilities".

At 31 December 2012 as at 31 December 2011, the fair value of financial assets and liabilities except for bonds is approximately equal to their net carrying amount.

24.2 Derivatives

The main derivatives used by the Group are as follows:

	Notional amount of contracts at 31/12/2012			Notional amount of contracts at 31/12/2011			Fair value of contracts	
(In millions of euros)	< 1 year	<5 years and > 1 year	> 5 years	< 1 year	<5 years and > 1 year	> 5 years	31/12/2012	31/12/2011
Forward foreign currency contracts	384	-	-	850	-	-	6	0
Commodities and energy swaps	10	-	-	22	-	-	0	(3)
TOTAL	**394**	**-**	**-**	**872**	**-**	**-**	**6**	**(3)**

See note B7.6 Financial assets and liabilities / Derivatives

24.3 Impact of financial instruments on the income statement

The income statement includes the following items related to financial assets (liabilities):

(In millions of euros)	**2012**	**2011**
Total interest income (expenses) on financial assets and liabilities (*)	(37)	(28)
Impact on the income statement of valuation of derivatives at fair value	(2)	(6)
Impact on the income statement of the ineffective portion of cash flow hedge instruments	-	-
Impact on the income statement of valuation of available for sale assets	(3)	1

* Excluding interest costs on pension obligations and the expected return on related plan assets.

The amount of foreign exchange gains and losses recognized in recurring operating income in 2012 represents income of €1 million (no impact on the income statement in 2011). As the foreign currency denominated assets and liabilities of Group companies are hedged with their respective functional currencies, a change in exchange rates does not have a material impact on the income statement.

24.4 Impact of financial instruments on shareholders' equity

At 31 December 2012, the impact of financial instruments on the group's shareholders' equity is a negative amount of €7 million (positive €6 million at 31 December 2011), essentially corresponding to the net-of-tax fair value of foreign exchange hedges of future cash flows.

25 Accounts payable, Other creditors and accrued liabilities

Accounts payable amount to €683 million at 31 December 2012 (€665 million at 31 December 2011).
Other creditors and accrued liabilities mainly comprise employee-related liabilities for €170 million at 31 December 2012 (€152 million at 31 December 2011) and amounts owing to governments for €34 million at 31 December 2012 (€44 million at 31 December 2011), including €13 million of VAT.

26 Personnel expenses

Personnel expenses, including stock options and free share grants (see note C28 Share-based payment) amount to €1,054 million in 2012 (€982 million in 2011).
They comprise €771 million of wages and salaries and IFRS 2 expenses (€710 million in 2011) and €283 million of social charges (€272 million in 2011).

27 Related parties

27.1 Transactions with non-consolidated or equity accounted companies

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are accounted for under the equity method. The values involved are not significant.

27.2 Compensation of key management personnel

Key management personnel of a group, as defined in IAS 24, are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The key management personnel of the Group are the directors and the members of its executive committee (COMEX).

The compensation recognized in expenses by ARKEMA is as follows:

(In millions of euros)	**2012**	**2011**
Salaries and other short-term benefits	5.3	5.1
Pensions, other post-employment benefits and contract termination benefits	1.6	1.3
Other long-term benefits	-	-
Share-based payments	4	3

These expenses comprise all types of remuneration recorded, including variable amounts, bonuses, attendance fees and benefits in kind.

The Chairman and CEO is entitled to a contractual indemnity in the event of non-voluntary departure, up to a maximum of two years' total gross compensation (fixed and variable), subject to achievement of performance criteria.

28 Share-based payments

28.1 Stock options

No new stock option plans were adopted by the Board of Directors in 2012.

The main characteristics of the stock option plans granted in previous years and still outstanding at 31 December 2012 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	
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	
								Total
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
- to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
- to the 10 largest beneficiaries*	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**480,242**	**375,902**	**179,296**	**28,515**	-	-	-	**1,063,955**
- by corporate officers	50,530	24,000	24,000	-	-	-	-	98,530
- by the 10 largest beneficiaries*	173,362	158,550	39,350	25,415	-	-	-	396,677
Total number of options cancelled	15,900	22,800	18,877	5,000	5,000	-	-	67,577
Number of options								
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	-	-	**1,780,175**
In circulation at 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5,000	5,000	-	-	13,299
Exercised	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**
In circulation at 1 January 2012	120,950	408,100	427,043	220,000	220,000	105,000	105,000	1,606,093
Granted	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Exercised	77,092	206,802	165,216	28,515	-	-	-	477,625
In circulation at 31 December 2012	**43,858**	**201,298**	**261,827**	**191,485**	**220,000**	**105,000**	**105,000**	**1,128,468**

* Employees who are not corporate officers of Arkema SA or any other Group company

Valuation method

The fair value of the options granted was determined using the Black & Scholes method on the basis of assumptions, of which the main ones are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2
Volatility	22%	20%	25%	35%	32%	32%	32%
Risk-free interest rate	2.82%	3.39%	4.00%	0.34%	0.34%	1.29%	1.29%
Maturity	4 years	4 years	4 years	4 years	5 years	4 years	4 years
Exercise price (in euros)	28.36	44.63	36.21	30.47	30.47	68.48	68.48
Fair value of stock options (in euros)	**6.29**	**7.89**	**8.99**	**6.69**	**6.67**	**12.73**	**12.73**

The volatility assumption was determined on the basis of observation of historical movements in the Arkema share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend. The maturity adopted for the options corresponds to the period of unavailability for tax purposes.

The amount of the IFRS2 expense recognized in respect of stock options at 31 December 2012 was €1 million (€2 million at 31 December 2011).

28.2 Free share grants

On 9 May 2012, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group’s results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of 2 years, with effect from the Board of Directors’ grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA’s EBITDA for 2012, and the average EBITDA margin in 2012 and 2013 compared to the average margin of a panel of other chemicals producers over the same period.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors’ grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors’ grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force at 31 December 2012 are as follows:

	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	2011 Plan 3	2012 Plan 1	2012 Plan 2	2012 Plan 3	
Date of Annual General Meeting	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	9 May 12	9 May 12	9 May 12	
Vesting period	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	-	2 years	2 years	-	2 years	2 years	-	
Performance condition	Yes (2)	Yes (2)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	
									Total (4)
Number of free shares granted	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	
- to corporate officers: Thierry Le Hénaff	18,800	-	8,200	8,200	-	13,000	13,000	-	
- to the 10 largest beneficiaries(1)	54,700	8,100	24,450	24,450	14,850	36,100	36,100	16,400	
Number of free shares									
In circulation at 1 January 2010	-	-	-	-	-	-	-	-	310,400
Granted	153,705	50,795	-	-	-	-	-	-	204,500
Cancelled	-	638	-	-	-	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**153,705**	**50,157**	**-**	**-**	**-**	**-**	**-**	**-**	**337,212**
In circulation at 1 January 2011	153,705	50,157	-	-	-	-	-	-	337,212
Granted	-	-	88,305	59,380	52,315	-	-	-	200,000
Cancelled	3,690	1,000	455	455	125	-	-	-	6,875
Definitively granted	-	-	-	-	-	-	-	-	132,200
In circulation at 31 December 2011	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**-**	**-**	**-**	**398,137**
In circulation at 1 January 2012	150,015	49,157	87,850	58,925	52,190	-	-	-	398,137
Granted	-	-	-	-	-	101,860	74,805	65,335	242,000
Cancelled	180	1,434	590	-	1,195	125	-	590	4,114
Definitively granted	149,835	-	100	100	-	-	-	-	150,035
In circulation at 30 June 2012	**0**	**47,723**	**87,160**	**58,825**	**50,995**	**101,735**	**74,805**	**64,745**	**485,988**

(1) Employees who are not corporate officers of Arkema SA or any other Group company

(2) Performance conditions do not apply to beneficiaries of less than 100 shares

(3) Performance conditions apply only to the portion of rights in excess of 80 held under all plans, except for COMEX members, all of whose rights will be subject to performance criteria

(4) The total includes plans dating from before 2010.

The amount of the IFRS2 expense recognized in respect of free shares at 31 December 2012 is €8 million (€5 million at 31 December 2011).

28.3 Capital increase reserved for employees

In the context of the Group's employee shareholding policy, ARKEMA offered its employees the opportunity to subscribe to a reserved capital increase at a subscription price of €54.51. This price corresponds to the average opening market price of the Arkema share on the Paris stock exchange in the 20 trading days preceding the Board of Directors' meeting of 7 March 2012, less a discount of 20%.

Through this operation Arkema shares were offered to Group employees outside France via a free share grant plan. One free share was granted for every five shares subscribed, up to a maximum of 20 free shares.
The employees subscribed 535,013 shares, and the capital increase was completed and recognized on 18 April 2012.
On 9 May 2012 the Board of Directors recorded grants of 3,073 free shares to employees in Italy and Spain, and 14,090 free shares to employees in other countries outside France. The definitive grant of these shares will be subject to a vesting period of 3 and 4 years respectively.

Valuation method
In accordance with the method recommended by France's national accounting standards authority (*Autorité des Normes Comptables*), the calculation used to value the cost of not being able to sell the shares for five years is based on the cost of a two-step strategy assuming that these shares will ultimately be sold, and that the same number of shares will be purchased and settled immediately, financed by a loan. The rate used for the loan is the rate that a bank would grant to a private individual presenting an average risk profile in the context of a 5-year consumer loan.
The fair values of the shares subscribed in France and outside France have been calculated separately in order to reflect grants of free shares to Group employees established outside France.

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:
Date of the Board meeting which decided on the capital increase: 7 March 2012
Share price at the date of the board meeting: €63.85
5-year risk free interest rate: 1.78%
Interest rate on 5-year borrowings: 8.67%
Cost of not being able to sell the shares:

- 28.3% (shares subscribed in France)
- 29.2% (shares subscribed outside France in countries other than Italy and Spain)
- 39% (shares subscribed in Italy and Spain)

On the basis of the share price at the date of the Board meeting, the benefit granted represents a value of €7 million. As the cost of not being able to sell the shares, calculated on the basis of the above parameters, is higher than this amount, no expense has been recognized in the income statement.

29 Off-balance sheet commitments

29.1 Commitments given

29.1.1 Off-balance sheet commitments given in the Group's operating activities

The main commitments given are summarized in the table below:

(In millions of euros)	**31/12/2012**	**31/12/2011**
Guarantees granted	60	50
Comfort letters	-	-
Contractual guarantees	20	30
Customs and excise guarantees	12	9
Total	**92**	**89**

Guarantees granted are mainly bank guarantees in favour of local authorities and public bodies (state agencies, environmental agencies) in respect of environmental obligations or concerning classified sites.

29.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods initially of 1 to 20 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.

These purchase commitments were valued taking into account, on a case-by-case basis, ARKEMA's financial commitment to its suppliers, as certain of these contracts include clauses which oblige ARKEMA to take delivery of the minimum volumes as set out in the contract or, otherwise, to pay financial compensation to the supplier. Depending on the case, these commitments are reflected in the purchase agreements in the form of notice periods, indemnification to be paid to the supplier in case of early termination of the contract or "take or pay" clauses.

The total amount of the Group's financial commitments is €511 million at 31 December 2012 (see maturity schedule below):

(In millions of euros)	**31/12/2012**	**31/12/2011**
2012	-	112
2013	112	63
2014	80	62
2015	71	48
2016 until expiry of the contracts	248	145
Total	**511**	**430**

- Lease commitments

In the context of its business, ARKEMA has signed lease contracts, of which the majority are operating lease agreements. Lease agreements signed by ARKEMA are mainly in respect of property rental (head offices, land) and transportation equipment (rail cars, containers).

The amounts presented in the table below correspond to the future minimum payments that will need to be made in accordance with these contracts (only the irrevocable portion of future lease payments has been valued).

	31/12/2012		**31/12/2011**	
(In millions of euros)	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2012	-	-	0	20
2013	0	22	0	20
2014	0	20	0	17
2015	0	19	0	16
2016 and beyond	2	29	2	18
Nominal value of future lease payments	**3**	**90**	**3**	**91**
Finance cost	1	NA	1	NA
Present value	**2**	**NA**	**2**	**NA**

NA: not applicable

29.1.3 Off balance sheet commitments related to changes in the scope of consolidation

Warranties related to sales of businesses

Sales of businesses sometimes involve the provision of warranties in respect of unrecorded liabilities to the purchaser. ARKEMA sometimes grants such warranties on the sale of businesses. In most cases these warranties are capped and granted for a limited period of time. They are also limited in terms of their coverage to certain types of litigation and claims. In the majority of cases, they cover risks of occurrence of environmentally related claims.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by ARKEMA amounted to €108 million at 31 December 2012 (€58 million at 31 December 2011). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

Other commitments given in connection with the divestment of the vinyls activities are described in section 21.2.4, Other litigations, of note C21 Liabilities and contingent liabilities.

29.1.4 Off balance sheet commitments related to Group financing

These commitments are described in note C22 Debt.

29.2 Commitments received

Commitments received from Total in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described below.

29.2.1 The Indemnities extended by Total in respect of certain antitrust litigation

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. has extended to Arkema S.A. and Elf Aquitaine, Inc. has extended to Arkema Amériques SAS, the indemnities, the principal terms of which can be described as follows.

Subject-matter of the Indemnities

By an agreement dated 15 March 2006 (the Arkema European Indemnity), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

By an agreement dated 15 March 2006 (the Arkema U.S. Indemnity), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Amériques SAS and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Amériques SAS, Elf Aquitaine, Inc. agreed, in the agreement dated 7 March 2006 (the Arkema Delaware Indemnity), to indemnify Arkema Amériques SAS for 90% of (i) any payment due by Arkema Amériques SAS or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to 7 March 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Amériques SAS or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Amériques SAS or any of its subsidiaries in connection with such proceedings.

Arkema Amériques SAS has benefited from an indemnification of $19.3 million under the Arkema Delaware Indemnity. At 31 December 2012, the residual amount covered by this indemnity amounts to $873.7 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated 15 March 2006 (the Supplemental Arkema Delaware Indemnity) covering 90% of sums payable by Arkema Amériques SAS or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the Indemnities and individually as an Indemnity.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after 18 May 2006 in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after 7 March 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after 18 May 2006 or after 7 March 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Amériques SAS , in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc, as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the Group entity in question. Failure by Arkema S.A. or Arkema Amériques SAS to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €126 million being received from Total SA. The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnities of Arkema S.A. and Arkema Inc.

Arkema S.A. and Arkema Inc. have agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. and Arkema Inc. will be reduced by the indemnity which would have been paid by Total S.A. or Elf Aquitaine, Inc., as the case may be, under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. and Arkema Inc. is triggered, Arkema S.A. or Arkema Inc., as the case may be, would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceeds the deductible).

Duration of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from 18 May 2006.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from 7 March 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from 18 May 2006.

The Arkema Inc. cross-indemnity is valid for a term of 10 years from 7 March 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% — and 20% in the case of double voting rights — unless a purchaser acquires at least two thirds of the total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group’s “enterprise value” (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Amériques SAS, or if Arkema Amériques SAS loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., prior to the termination event.

29.2.2 Obligations and indemnities given in respect of Former Industrial Sites

In order to cover certain risks relating to certain industrial sites situated in France, Belgium and the United States in respect of which the Group is or could be held liable, and where, for the most part, operations have ceased (the Former Industrial Sites), Total S.A. companies have entered with Arkema S.A. or its subsidiaries into indemnity and service agreements the principal terms of which can be described as follows:

- Agreement relating to Former Industrial Sites located in France

Arkema France has entered into various agreements with Total companies and in particular Retia. Pursuant to these agreements, the Total companies concerned, in consideration of a flat fee already paid by Arkema France, assume all the investigation, restoration and monitoring obligations that could be imposed on Arkema France by the competent administrative authorities in respect of industrial sites located in France the operation of which, for the most part, has ceased. To this end, the agreements provide, in particular, (i) in the majority of cases, for the transfer of ownership of the sites concerned by Arkema France to the Total companies concerned, (ii) for the Total companies concerned to be substituted for Arkema France in the capacity of last operator of those sites whenever that is possible, (iii) for the performance by the Total companies concerned of the restoration obligations of the sites in question in accordance with the applicable rules and (iv) for the indemnity by the Total companies in respect of the financial consequences of claims which could be brought against Arkema France by reason of the impact of those sites on the environment.
In most cases, Arkema France retains responsibility for the consequences concerning employees and former employees of Arkema France as well as third parties, in terms of public health or occupational pathologies, of the industrial activities formerly carried out by Arkema France and its predecessors on the sites which are the subject of the aforementioned agreements.

- Agreement relating to the Former Industrial Site at Rieme in Belgium

On 30 December 2005, Arkema France sold all of the shares that it held in the share capital of the Belgian company Resilium Belgium to the company Septentrion Participations, a subsidiary of Total S.A.
The company Resilium Belgium is the owner of a Former Industrial Site located at Rieme in Belgium.
Having regard to the future costs that might arise from the restoration of the Former Industrial Site at Rieme, Arkema France has paid the company Septentrion Participations financial compensation. In exchange, Septentrion Participations has undertaken to assume all restoration obligations in respect of the site at Rieme and to indemnify Arkema France against all claims, actions and complaints relating to Resilium Belgium, its assets and its liabilities.

- Agreement relating to certain Former Industrial Sites located in the United States

In March 2006, Arkema Amériques SAS completed the acquisition from Elf Aquitaine Inc. and Arkema France of Arkema Delaware Inc., a holding company of most of the Group's operations in the United States. The negotiated terms of the stock purchase agreement among Elf Aquitaine Inc., Legacy Sites 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 $64 million. At the same time as the stock purchase agreement and the indemnity described above, Legacy Site Services LLC and Arkema Inc. entered into a supplemental contamination indemnity agreement pursuant to which Legacy Site Services LLC will indemnify the liabilities of the Group in excess of $270 million, on the same terms, for the same sites and subject to the same exceptions as the indemnity described in the preceding paragraph.

29.2.3 Tax indemnity granted by Total S.A.

In order to cover potential tax risks related to the business activities transferred by the Group to Total or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated 15 March 2006 (the Tax Indemnity), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by reserves, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses (with the exception of reassessments that may affect Arkema UK, as indicated below) and is subject to the specific terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A. Arkema S.A.'s failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnification

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to certain foreign companies of the Group

Tax liabilities arising from the reorganization undertaken for purposes of separating Arkema's Businesses from Total's Chemicals sector in the Netherlands, which may have been incurred by Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group of which Arkema North Europe B.V. is the parent company are excluded from the Tax Indemnity. Any other tax liabilities arising from reassessments that may be applied to Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group will be assumed by these companies, which remain under Total S.A.'s control.

Arkema UK will benefit from a UK corporation tax indemnity covering any tax reassessments against it relating to Arkema's Businesses. This indemnity will be limited to the amount of losses generated by the Arkema Businesses that have been transferred by Arkema UK as result of the group relief instituted by Total Holdings UK for corporation tax purposes in the United Kingdom.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

29.2.4 Other indemnities given in the context of the Spin-Off of Arkema's Businesses

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which Arkema S.A. declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. Arkema S.A. releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-Off of Arkema's Businesses

Total S.A. and Arkema S.A. have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of Arkema's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its de facto or de jure directors, corporate officers or executives against any Total entity or any one of its de facto or de jure employees, directors, corporate officers or executives (a Total Entity). The claims, actions or complaints mentioned above are hereinafter referred to as the ARKEMA Claim(s).

Consequently, Arkema S.A. has undertaken to indemnify Total S.A. and hold it harmless for the consequences of any ARKEMA Claim against any Total Entity. Arkema S.A. has waived all ARKEMA Claims other than New Claims, as defined below.

Arkema S.A.'s indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential ARKEMA Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to 18 May 2006, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the New Claim(s)).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, directors, corporate officers or executives (the ARKEMA Entity(ies)), arising from the ownership or operation by Arkema entities of the companies or businesses acquired by Total before 18 May 2006 (the Total Claim(s)).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by ARKEMA Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from 18 May 2006.

In addition, the Arkema Delaware Main SPA provides that Arkema Amériques SAS, which became a subsidiary of Arkema S.A. on 18 May 2006, will indemnify Elf Aquitaine, Inc., a subsidiary of Total S.A., for any taxes that may result from a breach of representations or covenants under the Arkema Delaware Main SPA or the Tax Sharing Agreement dated 1 January 2001, among Total Holdings USA, Inc. and certain of its subsidiaries, by Arkema Amériques SAS , Arkema Delaware Inc., or certain of the subsidiaries of Arkema Delaware Inc. Elf Aquitaine, Inc. will likewise indemnify Arkema Amériques SAS for any taxes resulting from such breaches by Elf Aquitaine, Inc. Moreover, the Arkema Delaware Main SPA provides that Elf Aquitaine Inc. and its US subsidiaries, on the one hand, and Arkema Delaware Inc. with certain of its US subsidiaries, on the other hand, will each be responsible for their share of US federal and state income taxes before 7 March 2006, as computed under the Tax Sharing Agreement, because for this period Elf Aquitaine, Inc. files a consolidated US federal income tax return that includes Arkema Delaware Inc. and certain of its subsidiaries and pays the taxes due in respect of the consolidated US federal income tax return. Arkema Delaware Inc. and certain of its subsidiaries will be required to pay such amounts to Elf Aquitaine, Inc. For periods after 7 March 2006, Arkema Delaware, Inc. and its US subsidiaries will be responsible to file income tax returns separately from Elf Aquitaine, Inc. and separately to make all tax payments in respect of these returns.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section “Commitments received from Total in 2006”.

30 Statutory auditors' fees

	KPMG				Ernst & Young			
	Amount *(In millions of euros)*		%		Amount *(In millions of euros)*		%	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Audit								
Auditing, certification, review of individual and consolidated financial statements	2	2			2,2	2		
> Issuer	0.5	0.5			0.5	0.5		
> Fully consolidated subsidiaries	1.5	1.5			1.7	1.5		
Other due diligence work and services directly related to the auditors' mission	0.5	0.2			0.6	0.5		
> Issuer	-	-			-	-		
> Fully consolidated subsidiaries	0.5	0.2			0.6	0.5		
SUB-TOTAL	2.5	2.2	100%	100%	2.8	2.5	100%	100%
Other services provided by the networks to fully consolidated subsidiaries	-	-	0%	0%	-	-	0%	0%
TOTAL	**2.5**	**2.2**	**100%**	**100%**	**2.8**	**2.5**	**100%**	**100%**

In application of an internal rule validated by the Audit Committee, the amount of fees for other due diligence work and services directly related to the auditors' mission shall not exceed 30% of fees for the audit of the individual and consolidated financial statements.

31 Subsequent events

No significant event has occurred since the year-end.

SCOPE OF CONSOLIDATION AT 31 DECEMBER 2012

(a) Companies acquired in 2012

(b) Companies consolidated for the first time in 2012

(c) Companies merged in 2012

(d) Companies from the Vinyl Products segment sold to the Klesch group

(e) Companies deconsolidated

(f) Companies liquidated

(g) Companies sold

The percentage of control indicated below also corresponds to the Group's ownership interest in each entity.

Akishima Chemical Industries Co.Ltd	(d)	Japan	100.00	FC
Alphacan	(d)	France	100.00	FC
Alphacan BV	(d)	Netherlands	100.00	FC
Alphacan Doo	(d)	Croatia	100.00	FC
Alphacan SPA	(d)	Italy	100.00	FC
Altuglas International Denmark A/S		Denmark	100.00	FC
Altuglas International Ltd		United Kingdom	100.00	FC
Altuglas International Mexico Inc.		United States	100.00	FC
Altuglas International SAS		France	100.00	FC
American Acryl LP		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema		France	100.00	FC
Arkema Afrique SAS		France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie SAS		France	100.00	FC
Arkema Beijing Chemical Co. Ltd		China	100.00	FC
Arkema Canada Inc.		Canada	100.00	FC
Arkema Changshu Chemicals Co. Ltd		China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100.00	FC
Arkema Chemicals India Private Ltd		India	100.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Coatings Resins BV		Netherlands	100.00	FC
Arkema Coatings Resins SAU		Spain	99.92	FC
Arkema Coating Resins Malaysia Sdn. Bhd.		Malaysia	100.00	FC
Arkema Coatings Resins SRL		Italy	100.00	FC
Arkema Coatings Resins UK		United Kingdom	100.00	FC
Arkema Co. Ltd		Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe		France	100.00	FC
Arkema France		France	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema Inc.		United States	100.00	FC

Arkema Iniciadores SA de CV	(c)	Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd		United Kingdom	100.00	FC
Arkema Ltd	(d)	Vietnam	100.00	FC
Arkema Mexico SA de CV		Mexico	100.00	FC
Arkema Mexico Servicios SA de CV	(b)	Mexico	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema PEKK Inc.		United States	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica Ltda		Brazil	100.00	FC
Arkema Quimica SA		Spain	99.92	FC
Arkema RE Ltd		Ireland	100.00	FC
Arkema RE	(c)	France	100.00	FC
Arkema Resins (Pty) Ltd.		South Africa	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema (Shanghai) Distribution Co. Ltd		China	100.00	FC
Arkema Spar NL Limited Partnership		Canada	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Thiochemicals Sdn Bhd		Malaysia	86.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Austinland	(a)+(f)	Spain	100.00	FC
Ceca Belgium		Belgium	100.00	FC
Ceca Italiana Srl		Italy	100.00	FC
CECALC		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
CJ Bio Malaysia Sdn Bhd	(b)	Malaysia	14.00	EM
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Latin America Industria et Comercio Ltd	(a)	Brazil	100.00	FC
Coatex Latin America Comercio de Produtos Quimicos Ltda	(b) + (c)	Brazil	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd		China	40.00	PC
Delaware Chemicals Corporation		United States	100.00	FC
Difi 6	(b)+(d)	France	100.00	FC
Difi 7	(b)+(d)	France	100.00	FC

Difi 8	(b)+(d)	France	100.00	FC
Difi 9	(b)+(d)	France	100.00	FC
Difi 10	(b)+(d)	Germany	100.00	FC
Difi 11	(b)+(d)	Germany	100.00	FC
Difi 12	(b)+(d)	Italy	100.00	FC
Dorlyl snc	(c)	France	100.00	FC
Febex SA		Switzerland	96.77	FC
Harveys Composites South Africa		South Africa	100.00	FC
Hebei Casda	(a)	China	100.00	FC
Little Rock Invest Sl	(a)+(d)	Spain	100.00	FC
Luperox Iniciadores SA de CV	(c)	Mexico	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Meglas		Italy	33.00	EM
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar		Canada	50.00	PC
Noble Synthetics Private Limited		India	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Peninsula Polymers LLC	(c)	United States	100.00	FC
Plasgom SAU	(d)	Spain	99.92	FC
Qatar Vinyl Company Limited QSC		Qatar	12.91	EM
Résil Belgium	(e)	Belgium	100.00	FC
Resilia SRL	(d)	Italy	100.00	FC
Resinoplast	(d)	France	100.00	FC
Resinoplast North America Srl de CV	(d)	Mexico	100.00	FC
Sartomer Asia Limited		Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co, Ltd		China	100.00	FC
Sartomer Japan Inc.	(c)	Japan	100.00	FC
Sartomer Shangai Distribution Company Limited		China	100.00	FC
Sartomer USA LLC		United States	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co. Ltd		China	100.00	FC
Stannica LLC	(g)	United States	50.00	PC
Sunclear SA Espana (ex Plasticos Altumax SA)		Spain	99.92	FC
Sunclear (ex Sunclear France)		France	100.00	FC
Sunclear SRL (ex Altuglas International SRL)		Italy	100.00	FC
Suzhou Hipro Polymers Co Ltd	(a)	China	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinylfos	(c)	France	100.00	FC

NB: FC: Full consolidation
PC: Proportionate consolidation
EM: Consolidation by the equity method