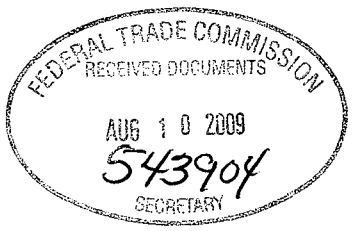
PUBLIC VERSION

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION



In the Matter of	)	
The Dow Chemical Company	)	
a corporation,	)	
	)	Docket No. C-4243
	)	File No. 081-0214
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	)	

PETITION OF THE DOW CHEMICAL COMPANY FOR APPROVAL OF THE PROPOSED DIVESTITURE OF THE ACRYLIC ACID BUSINESS AND LATEX POLYMERS BUSINESS TO ARKEMA

Pursuant to Section 2.41(f) of the Federal Trade Commission ("Commission") Rules of Practice and Procedure, 16 C.F.R. § 2.41(f), and Paragraph III.A. of the Decision and Order contained in the Agreement Containing Consent Orders accepted for public comment in this matter ("Decision and Order"), The Dow Chemical Company ("Dow") hereby petitions the Commission to approve (i) the divestiture of the Acrylic Acid Business and the Latex Polymers Business[1] to Arkema Inc., a wholly owned subsidiary of the Arkema Group ("Arkema"), or one or more, direct or indirect, wholly-owned subsidiaries of Arkema and (ii) the related agreements required by Paragraph III.C. of the Decision and Order.

Background

On January 9, 2009, Dow and the Commission executed an Agreement Containing Consent Orders that included the Decision and Order and an Order to Hold Separate and Maintain Assets (collectively, the "Consent Agreement") to settle the Commission's charges

[1] For capitalized terms not defined herein, please see the definitions in the Decision and Order.

related to Dow's acquisition of Rohm and Haas Company ("R&H"). On January 23, 2009, the Commission accepted the Consent Agreement for public comment. On April 1, 2009, Dow consummated its acquisition of R&H.[2] The proposed Consent Agreement received final approval from the Commission on April 9, 2009.

Dow desires to complete the proposed divestiture of the Acrylic Acid Business and the Latex Polymers Business to Arkema as soon as possible following Commission approval and the satisfaction (or waiver with Commission approval) of the closing conditions set forth in the agreement between Dow and Arkema. Prompt consummation will further the purposes of the Decision and Order and is in the interests of the Commission, the public, Arkema, and Dow because it will allow Arkema to move forward with its business plans for the competitive operation of the Acrylic Acid Business and the Latex Polymers Business. It will also allow Dow to fulfill its obligations under the Consent Agreement. Dow accordingly requests that the Commission promptly commence the period of public comment pursuant to Section 2.41(f)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(2), limit the public comment period to the customary 30-day period, and grant this petition by approving the divestiture of the Acrylic Acid Business and the Latex Polymers Business to Arkema pursuant to the proposed agreements as soon as practicable after the close of the public comment period.

Request for Confidential Treatment

Because this petition and its attachments contain confidential and competitively sensitive business information relating to the divestiture of the Acrylic Acid Business and the Latex Polymers Business, Dow has redacted such confidential information from the public version of this petition and its attachments. The disclosure of this information would prejudice

[2] After the merger, Rohm and Haas Company remained as a separate corporate entity that is a wholly-owned subsidiary of and included within The Dow Chemical Company.

Dow and Arkema, cause harm to the ongoing competitiveness of the Acrylic Acid Business and the Latex Polymers Business, and impair Dow's ability to comply with its obligations under the Consent Agreement. Pursuant to Sections 2.41(f)(4) and 4.9(c) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 2.41(f)(4) & 4.9(c), Dow requests, on its own behalf and on behalf of Arkema, that the confidential version of this petition and its attachments and the information contained herein be accorded confidential treatment. The confidential version of this petition should be accorded such confidential treatment under 5 U.S.C. § 552 and Section 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.10(a)(2). The confidential version of this petition is also exempt from disclosure under Exemptions 4, 7(A), 7(B), and 7(C) of the Freedom of Information Act, 5 U.S.C. §§ 552(b)(4), 552(b)(7)(A), 552(b)(7)(B), & 552(b)(7)(C), and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, 15 U.S.C. § 18a(h).

I. Arkema Will be a Strong and Effective Competitor

The Bureau of Competition's 1999 "Study of the Commission's Divestiture Process" (the "Divestiture Study") and the 2003 "Statement of the Federal Trade Commission's Bureau of Competition on Negotiating Merger Remedies" (the "Merger Remedies Statement") discuss a number of factors that help to identify a promising divestiture buyer. All of these factors demonstrate that Arkema will be an excellent buyer of the Acrylic Acid Business and the Latex Polymers Business, well suited for approval by the Commission.

A. Arkema is a well-established, integrated, and experienced participant in the chemical industry, with extensive experience in the acrylic monomers business and related fields.

The Divestiture Study cited the buyer's experience in the relevant industry and knowledge of the assets to be purchased as key to a successful divestiture. "*The most successful*

buyers appear to be the ones that know the most about what they are buying."[3] The Merger Remedies Statement requires that the buyer have "*the competitive ability to maintain or restore competition in the market.*"[4]

The Arkema Group was formed in October 2004 from the reorganization of the chemicals business of Total S.A., a French petroleum company. In May 2006, Arkema was listed on the Euronext (Paris) stock exchange as a result of a spin-off from Total. Arkema operates eighty industrial sites in more than forty countries and had 2008 revenues of over € 5.6 billion ($8 billion).

Arkema operates three business segments: vinyl products, industrial chemicals, and performance products. Vinyl products generates approximately one quarter of Arkema's sales and includes chlorine/caustic soda, PVC, vinyl compounds, and pipes and profiles. The industrial chemicals unit is responsible for nearly half of Arkema's sales, and includes a number of different chemical intermediates, including acrylics (acrylic acid and esters), specialty acrylic polymers (Coatex), methyl methacrylate and polymethylmethacrylate, thiochemicals, fluorochemicals, and hydrogen peroxide. Arkema's performance products division accounts for about one-third of Arkema's sales and operates in a number of high-end niche markets, including polyamides, fluoropolymers, molecular sieves, and functional additives (PVC process aids and organic peroxides).

Within Arkema's industrial chemicals division, Arkema operates a significant acrylic monomers business. Arkema operates a world-scale acrylic acid and esters plant in Carling, France, with a crude acrylic acid capacity of [redacted] metric tons/year. The Carling plant produces crude acrylic acid (CAA), glacial acrylic acid (GAA), and a full line of acrylate

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3 Divestiture Study, p. 34.

4 Merger Remedies Statement, p. 6.

esters (ethyl acrylate (EA), butyl acrylate (BA), methyl acrylate (MA), and 2-ethylhexyl acrylate (2-EHA)). Through a manufacturing joint venture with Nippon Shokubai, Arkema also owns a 50% interest in a smaller facility in Bayport, Texas that produces CAA. Arkema has rights to [redacted] metric tons of crude acrylic acid annually from the plant. On the same site, Arkema owns and operates a butyl acrylate plant. On a global basis, Arkema's acrylics business represents about [redacted]% of its sales. As would be expected given the geographic skew of its production, Arkema's acrylics business is heavily focused on Europe, where Arkema is a leading supplier of acrylic acid and esters. In North America, Arkema is a much smaller player and is just one of several second-tier suppliers, including Nippon Shokubai, Sasol, and Formosa.

Arkema is also active in downstream polymer businesses. In October 2007, Arkema completed the acquisition of Coatex, a Genay, France-based manufacturer of specialty acrylic polymers. Coatex operates three manufacturing sites, in France, the Netherlands, and Chester, South Carolina. Coatex manufactures specialty acrylic-based polymers used as dispersants and thickeners. The main end uses for Coatex products are paper and paint manufacture, mineral processing, construction, cosmetics, and textiles.

In addition to its Coatex experience, Arkema has relevant experience in other neighboring fields. Arkema's Carling, France manufacturing site includes a superabsorbent polymer (SAP) manufacturing facility. SAPs are made from glacial acrylic acid (GAA) (essentially purified crude acrylic acid) and are used in diapers and other personal hygiene applications. In 2008, Arkema sold its SAP business to Sumitomo Seika, a Japanese SAP manufacturer. Though Arkema divested the business, Arkema continues to operate the Carling facility as a toll manufacturer for Sumitomo Seika.

Arkema is also a major supplier of methacrylates, which account for approximately [redacted]% of Arkema's sales. Methyl methacrylate (MMA), an ester of methacrylic

acid, is used in a number of applications, including specialty latex polymers like those manufactured by the Latex Polymers Business. The Latex Polymers Business was not previously back-integrated into MMA and will benefit from this additional vertical integration. MMA is also used to manufacture polymethyl methacrylate (PMMA), which is a plastic compound that is used in place of glass in various applications and sold under brand names like Lucite and Plexiglas. Arkema also manufactures PMMA.

Further, through the divestiture due diligence and negotiations, Arkema has become familiar with the Acrylic Acid Business and the Latex Polymers Business and has the information necessary to assess their business potential and to develop a realistic business plan. Dow first contacted Arkema regarding a potential transaction in the fall of 2008. During the ensuing months, Arkema obtained and assessed information about the Acrylic Acid Business and the Latex Polymers Business and their relationship to Arkema's strategic plans to expand its acrylic monomers business and increase its vertical integration. Dow has endeavored to provide Arkema with access to all of the necessary information about the Acrylic Acid Business and the Latex Polymers Business that Arkema requested. Arkema first received access to the Acrylic Acid Business and Latex Polymers Business electronic data room in the fall of 2008 and received an initial management presentation about the Acrylic Acid Business and Latex Polymers Business in October 2008. After the initial presentation, Arkema conducted additional due diligence, including through a multi-day, multi-function rigorous review of operations, procedures and equipment health at all manufacturing sites, as well as a multi-day tour of the research and development center's capabilities and equipment and a high-level product pipeline overview. Arkema also attended an updated management presentation in the spring of 2009. Throughout the process, Arkema was in frequent contact with Dow's transaction team and asked

and received answers to its questions about the Acrylic Acid Business and the Latex Polymers Business.

B. The acquisition is part of Arkema's long-term strategy to grow its acrylic monomers business and increase its level of vertical integration.

Arkema's purchase of the Acrylic Acid Business and the Latex Polymers Business is part of its strategic plan to expand its acrylic monomers business beyond its European base and, in particular, to substantially expand from its limited North American manufacturing base.

Arkema's long-term strategic plan has considered various options for expanding its acrylic monomers business outside of North America. In 2007, Arkema reached a preliminary agreement to enter into an acrylic acid and esters joint venture with Essar Chemicals in India. However, the parties elected not to proceed after [redacted]

Arkema also intends to increase the downstream vertical integration of its acrylics business, particularly through acquisition. In 2007, Arkema acquired Coatex, a producer of specialty acrylic polymers downstream of Arkema's acrylics business. In a 2008 interview, Arkema's CEO, Theirry Le Henaff, stated that Arkema was seeking acquisitions "mainly in the industrial chemicals and performance products areas, particularly in specialty polymers, and within that, more downstream than upstream."[5]

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[5] Natasha Alperowicz, Arkema: Moving to a Higher-Margin Portfolio, Chemical Week, December 15, 2008, p. 24.

C. Arkema has expended substantial capital in recent years to enhance its acrylic monomers business.

The Divestiture Study also emphasizes the importance of the buyer's commitment (*i.e.,* substantial investment in continuing in the relevant business), citing favorably examples of buyers that invested substantially in the construction of new facilities.[6]

Arkema has agreed to pay Dow USD $50 million for the Acrylic Acid Business and Latex Polymers Business (subject to adjustment), which represents a substantial commitment approved by Arkema's Board of Directors. [redacted] (Arkema will provide further, specific information about its capital expenditure plans under separate cover as part of its business plan.)

Such capital expenditures going forward are consistent with Arkema's history. In recent years, Arkema has made significant capital investments to increase its acrylic acid and esters capacity. In 2002, the American Acryl joint venture with Nippon Shokubai constructed a greenfield crude acrylic acid facility at Bayport, Texas and Arkema built its own BA facility at Bayport. In September 2008 Arkema announced that it would expand the 2-EHA capacity at its Carling, France production facility. The new 2-EHA capacity is currently under construction and its start-up date is confirmed for the fourth quarter of 2009

Arkema is also planning to expand its downstream businesses through capital investment. In July 2009, Arkema announced that Coatex will construct an acrylic polymer

[6] Divestiture Study, p. 34-35.

production plant at Arkema's site in Changshu, China. The anticipated investment in the plant is € 15 million and the plant is expected to come online in mid-2011.

D. The acquisition of the Acrylic Acid Business and Latex Polymers Business will restore competition to the affected markets listed in the Commission's Complaint.

1. Divesting to Arkema, an established international supplier of acrylic acid and esters, maximizes the competitiveness of the Acrylic Acid Business in the North American market.

As a leading European supplier of acrylic acid and acrylate esters, Arkema is intimately familiar with the technology used to manufacture the Acrylic Acid Products produced at Clear Lake. Arkema will be able to combine its own technological expertise with Dow's technology [redacted] to improve the efficiency of the plant.

Arkema is also uniquely well-positioned to direct the future of the Clear Lake asset. [redacted]

2. Arkema is a small competitor in acrylic acid and esters in North America, with minimal U.S. capacity, and the transaction will improve competition in the industry as it will establish Arkema as an additional significant competitor committed to the marketplace.

Prior to Dow's acquisition of R&H, the acrylic acid and esters business in North America was characterized by three strong suppliers (Dow, R&H, and BASF). There were also a number of smaller players, including Arkema, Nippon Shokubai, Sasol, Mitsubishi, and Formosa. Divestiture of the Acrylic Acid Business and Latex Polymers Business to Arkema reestablishes the pre-merger status quo of three strong suppliers and a number of smaller players.

Pre-merger, there were three strong suppliers of crude acrylic acid in North America: Dow, R&H, and BASF. Each of these suppliers had a world-scale facility in North America. Arkema and Nippon Shokubai were much smaller suppliers, splitting the capacity of a much smaller production facility. After the divestiture to Arkema, there will once again be three strong competitors in the marketplace, and Nippon Shokubai will retain its capacity.

Pre-merger, Dow, R&H, and BASF were the primary GAA producers, and Nippon Shokubai also had GAA capacity that it used for captive production of SAPs. [redacted] [redacted] Accordingly, the divestiture to Arkema will have no negative effect on competition for glacial acrylic acid. By adding significant GAA capacity to Arkema's portfolio, an additional strong competitor will emerge in GAA.

Dow and R&H were the only competitors with North American production capacity for ethyl acrylate pre-merger. A number of other competitors, including BASF, Arkema, Sasol, and Mitsubishi, imported EA from other regions. As with glacial acrylic acid, there will be no negative effect on competition among firms with North American EA capacity after the divestiture, since Arkema has none.

Dow, R&H, and BASF were also the key players in North American butyl acrylate production pre-merger. Arkema has a much smaller share of capacity [redacted] There are also several competitors that import BA into North America, including Nippon Shokubai, Mitsubishi, and Sasol. Producers without North American BA capacity account for [redacted]% of the sales of BA in North America. Given Arkema's status as a minor North American producer and the presence of other firms that will presumably continue to import BA, the divestiture will not

negatively affect competition in BA. On the contrary, the divestiture will restore to the market three firms with significant domestic production capacity.

3. Arkema has no operations or assets that compete with the Latex Polymers Business.

The Latex Polymers Business is engaged in the manufacture and sale of acrylic latex polymers used almost exclusively in architectural coatings. Arkema does not manufacture acrylic latex polymers in North America or elsewhere in the world and will be a new entrant into the field. Arkema's extensive upstream experience with monomers makes it an ideal new entrant into the closely related latex polymer business.

Arkema is active downstream of the monomers business through its Coatex subsidiary. Coatex does not manufacture acrylic latex polymers; it manufactures synthetic acrylic thickeners (also known as rheological additives or rheology modifiers). The Coatex rheology modifiers are used in water-based applications and have uses in mineral processing, paint, paper, and industrial applications such as water treatment. While both acrylic latex polymers and rheological additives are used in paints, they are not substitutes; latex polymers form the basis for the paint while additives are used in a formulation to adjust various properties such as fluidity or viscosity.

[redacted]

[redacted]

E. Arkema has the financial capability to successfully complete the transaction and invest in the Acrylic Acid Business and the Latex Polymers Business going forward.

The Merger Remedies Statement requires that the proposed buyer have "*the financial capability and incentives to acquire and operate the package of assets... .*"[7]

Arkema is a publicly traded company with its common shares listed on the Euronext (Paris) stock exchange under the symbol AKE. For the fiscal year ended December 31, 2008, Arkema had revenues of approximately € 5.633 billion.[8] Of this, approximately € 2.6 billion resulted from Industrial Chemicals, approximately € 1.6 billion from Performance Products, and approximately € 1.4 billion from Vinyl Products.[9] These revenues resulted in a recurring EBIT of € 250 million and a net income of € 100 million, primarily from the Industrial Chemicals and Performance Products divisions.[10]

Arkema plans to finance the purchase of the Acrylic Acid Business and Latex Polymers Business with internally generated cash flow. Arkema plans to fund any future capital projects that are not paid for by the operating cash flow of the Acrylic Acid Business and Latex Polymers Business with internally generated cash flow from Arkema's other operations and, if required, additional debt.

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7 Merger Remedies Statement, p. 6.

8 Arkema, Annual and Sustainable Development Report, p. 30, attached as Exhibit 1.

9 Arkema, Annual and Sustainable Development Report, p. 31, attached as Exhibit 1.

10 Arkema, Annual and Sustainable Development Report, p. 31, attached as Exhibit 1.

Arkema currently has a very low debt/equity ratio[11], *i.e.,* 25%, as of December 31, 2008. In addition, in spite of the current difficult economic conditions, and as stated in its recent Q2 2009 results made public on August 3, 2009, Arkema was able to reduce its overall debt to € 420 million, *i.e.,* a debt to equity ratio of 23%.

II. The Transaction Agreements Satisfy the Requirements of the Decision and Order to Divest the Acrylic Acid Business and the Latex Polymers Business

Paragraph III. of the Decision and Order requires Dow to divest the Acrylic Acid Business and the Latex Polymers Business. Pursuant to this requirement, Dow has diligently sought a buyer that would be acceptable to the Commission and has entered into an appropriate transaction agreement nearly four months before the deadline for completing the required divestitures.

On July 31, 2009, Dow entered into an Asset Purchase Agreement ("APA") with Arkema Inc., which requires Dow to sell the Acrylic Acid Business and the Latex Polymers Business to Arkema.[12] Exhibit 3 provides a complete list of the ancillary agreements attached as Exhibits to the APA, which will be entered into upon the consummation of the sale.

1. Divestiture of the Acrylic Acid Business and the Latex Polymers Business.

Paragraph III.A. of the Decision and Order requires that Dow divest the Acrylic Acid Business and the Latex Polymers Business absolutely and in good faith to an acquirer within the later of: (1) two hundred and forty (240) days after the Commission accepts the Agreement Containing Consent Orders for public comment; and, (2) two hundred and forty (240) days after the Acquisition closes.

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11 Net financial debt divided by shareholders' equity.

12 The APA is attached as Confidential Exhibit 2.

Section 2.01 of the APA provides for the transfer to Arkema of the assets comprising the Acrylic Acid Business and the Latex Polymers Business. In particular, Section 2.01 defines the assets to be purchased in the transaction (the "Purchased Assets") to include the following:

- Real property and facilities. Section 2.01(a) includes in the Purchased Assets interests in Dow-owned real property in Alsip, Illinois. Section 2.01(d) includes the leasehold interests in the Dow-owned St. Charles and Torrance properties that Arkema will obtain from Dow. Section 2.01(c) includes in the Purchased Assets leasehold interests in Dow-leased real property in Clear Lake, Texas, Garland, Texas, and Cary, North Carolina. Section 2.01(b) includes in the Purchased Assets the facilities (improvements, buildings, etc.) located at each of the real property interests listed in 2.01(a), 2.01(c), and 2.01(d), except for the Torrance site (collectively, the "Facilities").
- Tangible personal property. Section 2.01(e) includes in the Purchased Assets all tangible personal property located at the Facilities and owned by Dow or its affiliates that is primarily related to or Necessary for the Acrylic Acid Business or the Latex Polymers Business.
- Inventories. Section 2.01(f) includes in the Purchased Assets inventories of Divested Products and supplies held for use in the research, development, manufacture or production of the Divested Products that are primarily related to or Necessary for the Acrylic Acid Business or the Latex Polymers Business.[13]
- Contracts. Section 2.01(g) includes in the Purchased Assets all contracts in effect as of the Effective Date of Divestiture primarily relating to or Necessary for the

[13] [redacted]

Acrylic Acid Business or the Latex Polymers Business and/or listed on Section 2.01(g) of the Seller Disclosure Schedule.[14]

- Permits. Section 2.01(j) includes in the Purchased Assets all permits (including environmental permits) necessary for the operation and conduct of the Acrylic Acid Business or the Latex Polymers Business at any of the Facilities with respect to which transfer is permitted by law.
- Books and records. Section 2.01(k) includes in the Purchased Assets copies of Books and Records relating to the Acrylic Acid Business or the Latex Polymers Business.
- R&D assets. Section 2.01(q) includes in the Purchased Assets certain research and development assets located in South Charleston, West Virginia and Midland, Michigan. The specific assets are detailed on Section 2.01(q) of the Seller Disclosure Schedule. The list of Midland assets on Section 2.01(q) of the Seller Disclosure schedule includes all of the assets listed on Confidential Appendix E of the Decision and Order. [redacted]
- Intellectual property rights. Section 2.01(h) includes in the Purchased Assets certain intellectual property rights related to the Acrylic Acid Business and the Latex Polymers Business. These intellectual property rights are described below.

[14] Dow will assign portions of certain contracts that are not primarily related to or Necessary for the Acrylic Acid Business or the Latex Polymers Business; these contracts are included in the list of contracts in Section 2.01(g) of the Seller Disclosure Schedule.

2. Exclusions from the Purchased Assets

a. Torrance property. [redacted] Dow and Arkema have entered into a long-term lease for the facility (Torrance Building Lease, Exhibit AA to the APA). [redacted]

Pursuant to the Torrance Tank Area Lease, Exhibit BB to the APA, Arkema will also lease two storage tanks located elsewhere on the Torrance site that are used by the Latex Polymers Business.

b. Excluded contracts. Section 1.01(b) of the Seller Disclosure Schedule lists certain contracts that are excluded from the transaction. [redacted]

[redacted]

[redacted]

3. Intellectual property rights. Section 2.01(h) of the APA includes in the Purchased Assets the following intellectual property rights, which are detailed further in various ancillary agreements:

a. Intellectual property assignment and license back. Section 2.1 of the Intellectual Property Assignment and License Back Agreement, Exhibit M to the APA, assigns to Arkema patents and know-how primarily related to Dow's research, development, production, and manufacture in the United States and the marketing and sale in North, Central, and South America of Acrylic Acid Products. The Intellectual Property Assignment and License Back Agreement also assigns to Arkema worldwide patents and know-how: (1) primarily related to Dow's research, development, production, manufacture, marketing, and sale of Latex Polymers Products; or (2) primarily related to Latex Polymers Retained Products and used in Dow's research, development production, manufacture, marketing, and sale of Latex Polymers

[redacted]

Products. Any intellectual property related to Hollow Sphere Particle Products or used in the manufacture of Seed Latex is excluded from the assigned intellectual property. (Dow anticipates that it will divest the Hollow Sphere Particle Business to another buyer.) The Intellectual Property Assignment and License Back Agreement grants Dow a license to use the acrylic acid and esters intellectual property worldwide. Dow also receives a license to the latex polymers intellectual property that allows Dow to use that intellectual property worldwide in connection with Latex Polymers Retained Products and outside of North America in connection with Latex Polymers Products.

b. Intellectual property license. The Intellectual Property License, Exhibit L to the APA, licenses to Arkema all patents and know-how that are not primarily related to but are used in or Necessary for Seller's or Affiliate Sellers' research, development, production, and manufacture in the United States and the marketing and sale in North, Central, and South America of Acrylic Acid Products. The Intellectual Property License also licenses to Arkema all of Dow's worldwide patents and know-how that are not primarily related to but are used in or Necessary for Dow's research, development, production, manufacture, marketing, and sale of Latex Polymers Products (excluding intellectual property that is primarily related to Hollow Sphere Particle Products and intellectual property used in Dow's manufacture of Seed Latex, except to the extent such intellectual property is Necessary for the manufacture of Latex Polymers Products from Seed Latex).

c. Assigned trademarks. The Trademark Assignment Agreement, Exhibit N to the APA, assigns Arkema the EVOCAR, NEOCAR, and POLYPHOBE trademarks within North America.

d. Licensed trademark. The Trademark License Agreement, Exhibit O-1 to the APA, grants Arkema an exclusive license to the UCAR trademark for use in connection with latex products within North America.

e. MOD 5 software. The MOD 5 Software Agreement, Exhibit H to the APA, grants Arkema a license to continue to use the MOD 5 software currently used at the St. Charles latex plant. The license continues through December 31, 2012, giving Arkema time to convert to a third-party process control system. The MOD Purchase Authorization Agreement, Exhibit I to the APA, allows Arkema to purchase additional MOD 5 hardware from third-party vendors if Arkema so desires.

4. Securing of necessary consents. Paragraph III.B. of the Decision and Order requires that Dow secure all consents from persons that are necessary to divest the businesses and operate them in a manner that will achieve the purposes of the Decision and Order, provided, however, that Dow will not be in violation of the Decision and Order so long as it obtains the consents identified on Confidential Appendix G to the Decision and Order. [redacted]

[redacted]

5. Ethylene/Ethanol Conversion Assistance Agreement. Paragraph III.C.1. of the Decision and Order provides that at the option of the Acrylic & Latex Business Acquirer Dow shall enter into an Ethylene/Ethanol Conversion Assistance Agreement, as defined in Paragraph II.C. Arkema has not opted to enter into an Ethylene/Ethanol Conversion Assistance Agreement at this time. Section 5.03 of the APA provides that if Arkema decides to convert the Clear Lake EA line to ethanol-based production and Arkema so requests within one year of the Effective Date of Divestiture, Dow will provide all advice and consultation reasonably necessary for Arkema to effect such conversion. Such services would be provided at Dow's direct and indirect costs for a period of time requested by Arkema, but not to exceed three years from the Effective Date of Divestiture.

6. Site Services Agreement. Paragraph III.C.2. of the Decision and Order provides that at the option of the Acrylic & Latex Business Acquirer Dow shall enter into a Site Services Agreement, as defined in Paragraph II.A. Paragraph III.C.3. requires that the Site Services Agreement include the provision of "water, sewer, electricity, access to telephone lines, security, road maintenance, and other support services historically provided by Respondent since January 1, 2006, to the Latex Polymers Business at the St. Charles Facility or to other businesses operated by lessees at Respondent's St. Charles, Louisiana, site, to the extent applicable." Dow and Arkema have agreed upon a form of a Site Services Agreement (Exhibit D to the APA), which will be entered into at the closing of the divestiture. Under the Site Services Agreement, Dow will provide Arkema with the following services, which Arkema is required to accept:

[19] Section 3.06 of the Seller Disclosure Schedule provides a list of the Required Consents.

general contract administration and management; site security; fire and emergency response assistance; maintenance of roads and bridges, perimeter, fencing and grounds; sewage and wastewater processing; natural gas; filtered water; potable water; rail car services; truck gate services; and access to telephone lines.[20] The Site Services Agreement also includes the following services that Dow will provide at Arkema's option (or which Arkema may choose to obtain from another source): steam; nitrogen; demineralized water; electricity operation and maintenance services; truck yard staging; barge unloading; truck loading of EA; rail car loading of EA; bulk storage of BA; and bulk storage of EA.[21]

Paragraph II.A.1. of the Decision and Order requires that the Site Services Agreement obligate Dow to consult and cooperate reasonably with the Acrylic & Latex Business Acquirer regarding any conduct by Dow that is reasonably likely to interrupt delivery of services to the Acrylic & Latex Business Acquirer in order to reduce any interruption of the business at the St. Charles Facility. Section 3.4(a) of the Site Services Agreement provides that Dow will "reasonably cooperate with the Buyer regarding all shutdowns so as to minimize any disruption to the Buyer's operations."

Paragraph II.A.2. of the Decision and Order requires that the Site Services Agreement obligate Dow to provide as much notice as reasonably practicable of any maintenance or construction that is reasonably likely to interrupt the delivery of utility and shared services to the acquirer at the St. Charles Facility. Section 3.4(a) of the Site Services Agreement provides that Dow will schedule any shutdowns with "as much notice to the Buyer as is reasonably practicable" and will provide Arkema with "prompt oral notice, followed by notice in writing" as soon as it is determined that an emergency situation exists.

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20 Site Services Agreement, Exhibit 1.

21 Site Services Agreement, Exhibit 1.

Paragraph II.A.3 requires that the Site Services Agreement obligate Dow to restore delivery of services after an interruption on a schedule that is fair, equitable, and commercially reasonable. Section 3.4(b) of the Site Services Agreement provides that restoration of any interrupted services shall be on a schedule that is fair, equitable, and commercially reasonable.

In addition to the Site Services Agreement, Dow (through its Union Carbide Corporation ("Union Carbide") subsidiary) and Arkema have agreed upon a form of an Electric Facilities Lease (Exhibit W to the APA) by which Arkema will lease an undivided interest in Union Carbide's electricity infrastructure at the St. Charles site. [redacted]

7. Supply Agreements. Paragraph III.C.3. of the Decision and Order provides that at the option of the Acrylic & Latex Business Acquirer Dow shall enter into a Supply Agreement, as defined in Paragraph II.B, relating to one or both of the Acrylic Acid Business and the Latex Polymers Business. With regard to Divested Products, Dow and Arkema have agreed upon forms of Supply Agreements for crude acrylic acid, ethyl acrylate, and traffic paint latex. Dow and Arkema have also agreed upon forms of Supply Agreements for Seed Latex and butanol, as well as certain other products.

a. EA. Dow will supply Arkema with EA pursuant to the EA Contract Manufacturing Agreement attached as Exhibit P to the APA. Paragraph II.B.1.a. provides that the term of the Supply Agreement for Divested Products shall be a period from the Effective Date of Divestiture no longer than reasonably necessary for an acquirer to transfer commercial production from Dow's facility, with the option for a one-year extension if circumstances beyond

the acquirer's control delay the transfer of production. Section 15.1 of the EA Contract Manufacturing Agreement provides that the Agreement shall expire at the earlier of (1) Arkema's installation of EA production capacity at its own facility or its acquisition or construction of a facility capable of producing EA and (2) three years from the Effective Date of Divestiture. Section 15.1 of the EA Contract Manufacturing Agreement also provides that Arkema may extend the term of the Agreement by up to one year if circumstances beyond its control delay the installation of EA production capacity.

Paragraph II.B.2.a of the Decision and Order states that Divested Products shall be supplied at Dow's Cost. [redacted]

b. Crude Acrylic Acid. Included within the Master Supply Agreement (Exhibit F to the APA) is a provision that Dow will supply Arkema with CAA. [redacted]

[redacted]

[redacted]

Paragraph II.B.2.a. of the Decision and Order states that Divested Products shall be supplied at Dow's Cost. [redacted]

c. Latex Traffic Paint Products. Latex Traffic Paint Products will be supplied pursuant to the Traffic Paint Latex Contract Manufacturing Agreement attached as Exhibit Q to the APA. Paragraph II.B.1.a. provides that the term of the Supply Agreement for Divested Products shall be a period from the Effective Date of Divestiture no longer than reasonably necessary for the acquirer to transfer commercial production from Dow's facility, with the option for a one-year extension if circumstances beyond the acquirer's control delay the transfer of production. Section 16.1 of the Traffic Paint Latex Contract Manufacturing Agreement provides that the initial term of the Agreement shall be three years, which Dow and Arkema have agreed represents a reasonable period to transfer production to Arkema. The Agreement shall continue thereafter for successive 12-month terms, unless terminated by either party.

Paragraph II.B.2.a. of the Decision and Order states that Divested Products shall be supplied at Dow's Cost. [redacted]

[redacted]

d. Seed Latex. Seed Latex will be supplied pursuant to the Seed Latex Supply Agreement attached as Exhibit G to the APA. Paragraph II.B.1.d. of the Decision and Order provides that the term of the Supply Agreement for Seed Latex shall be as agreed upon by Dow and the acquirer, subject to the approval of the Commission. Section 13.1 and Exhibit A of the Seed Latex Supply Agreement provide that the initial term of the Agreement shall be five years. Section 13.2 of the Supply Agreement provides that the Agreement shall continue thereafter for successive 12-month terms unless terminated by either party.

Paragraph II.B.2.a. of the Decision and Order states that Seed Latex shall be supplied at Dow's Cost. [redacted]

e. Butanol. Included within the Master Supply Agreement (Exhibit F to the APA) is a provision that Dow will supply Arkema with butanol. Paragraph II.B.1.b. of the Decision and Order provides that the term of the Supply Agreement for butanol shall be not less than two years from the Effective Date of Divestiture. Section 13.1 and Exhibit A of the Master Supply Agreement provide that the initial term of the Agreement shall be three years. The Agreement shall continue thereafter for successive 12-month terms unless terminated by either party.

Paragraph II.B.2.b. of the Decision and Order states that butanol shall be supplied at a market price, as determined by a formula based on an objective measure of raw material, utility, and/or energy costs. [redacted]

f. Other products. In addition to the supply agreements discussed above, Dow and Arkema have agreed to enter into supply agreements for propylene (Propylene Supply Agreement, Exhibit Z to the APA), vinyl acetate monomer (VAM) (Master Supply Agreement, Exhibit F to the APA), macromonomers used in the manufacture of acrylic latex polymers (Macromonomer Manufacturing and License Agreement, Exhibit Y to the APA), and styrene-butadiene latex (Master Supply Agreement). Dow and Arkema believe that these agreements will help further the purpose of the Decision and Order by making Arkema a more competitive supplier.

g. Other Supply Agreement Terms. In addition to the required pricing and term provisions, Paragraph II.B.3 of the Decision and Order states that any Supply Agreement with the acquirer must contain certain other terms. As described below, Dow has included these provisions across its Supply Agreements.

i. Meet-or-release terms. Paragraph II.B.3.a requires Dow to include in any Supply Agreement a provision allowing the acquirer to reduce or terminate the quantities it purchases on commercially reasonable terms, including meet-or-release terms. Section 6.3 of the Master Supply Agreement, Exhibit F to the APA, provides that Arkema may terminate the Agreement with respect to a supplied product if Arkema presents Dow with an equivalent offer that Dow does not elect to match.[23]

[23] The Master Supply Agreement includes the supply of CAA and butanol. Comparable provisions are located in Section 6.3 of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 5.3 of the EA Contract

ii. Notice provisions. Paragraph II.B.3.b. of the Decision and Order provides that any Supply Agreement must require Dow to provide prompt notice if a force majeure event will likely prevent Dow from fulfilling its supply obligations. Section 15.1(b) of the Master Supply Agreement requires Dow to notify Arkema of any force majeure event that is likely to prevent Dow from fulfilling its obligations under the Supply Agreement.[24] Paragraph II.B.3.c. of the Decision and Order provides that any Supply Agreement must require Dow to provide reasonable advance notice of any planned maintenance, shutdown, improvement, or expansion that is reasonably likely to affect materially and adversely Dow's obligations under the Supply Agreement. Section 8.2 of the Master Supply Agreement provides that Dow will provide reasonable advance notice of any such event.[25]

iii. Alternate supply. Paragraph II.B.3.d. of the Decision and Order provides that any Supply Agreement must contain a provision giving the acquirer the right, if Dow fails to make full and timely deliveries of product due to a force majeure event or an act within Dow's control, to purchase product from another supplier, or from Dow if Dow has available product (or production capacity) and can supply the acquirer without harming Dow's own ability to meet contractual commitments. Section 15.2 of the Master Supply Agreement provides that Dow will give Arkema such an option if Dow fails to make full and timely deliveries.[26]

Manufacturing Agreement (Exhibit P to the APA), and Section 6.3 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

[24] Comparable provisions are located in Section 15.1 of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 17.1 of the EA Contract Manufacturing Agreement (Exhibit P to the APA), and Section 18.1 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

[25] Comparable provisions are located in Section 8.2 of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 2.7 of the EA Contract Manufacturing Agreement (Exhibit P to the APA), and Section 2.8 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

[26] Comparable provisions are located in Section 15.2 of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 17.2 of the EA Contract Manufacturing Agreement (Exhibit P to the APA), and Section 18.2 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

iv. Additional quantities. Paragraph II.B.3.e. of the Decision and Order provides that any Supply Agreement must allow the acquirer to purchase additional quantities of product above the initial contract maximum, if Dow's facilities producing the product are not operating at capacity and Dow can increase production without interfering with Dow's existing business. Section 3.1(d) of the Master Supply Agreement provides that Arkema may increase its purchases beyond the contract maximums if Dow's relevant facility is not operating at maximum capacity and Dow could increase production without interfering with its existing business.[27] [28]

v. Dispute resolution. Paragraph II.B.3.f. of the Decision and Order provides that any Supply Agreement must state that, in any dispute or litigation between Dow and the acquirer, the Supply Agreement will be interpreted in light of achieving the purposes of the Decision and Order. Section 16.3(d) of the Master Supply Agreement states that, in the case of any dispute or litigation between Dow and Arkema, the Agreement will be interpreted in light of achieving the purposes of the Decision and Order.[29]

8. Technical Assistance Agreement. Paragraph III.C.4. of the Decision and Order provides that at the option of the Acrylic & Latex Business Acquirer Dow shall enter into a Technical Assistance Agreement, as defined in Paragraph II.D. Paragraph III.C.4. provides that any Technical Assistance Agreement will require Dow to provide all advice and consultation reasonably necessary for an acquirer to receive and use any of the divested assets. The term of

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[27] Comparable provisions are located in Section 3.1(d) of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 4.5 of the EA Contract Manufacturing Agreement (Exhibit P to the APA), and Section 5.4 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

[redacted]

[29] Comparable provisions are located in Section 16.3 of the Seed Latex Supply Agreement (Exhibit G to the APA), Section 18.3 of the EA Contract Manufacturing Agreement (Exhibit P to the APA), and Section 19.3 of the Traffic Paint Latex Contract Manufacturing Agreement (Exhibit Q to the APA).

the Technical Assistance Agreement is to be at the option of the Acquirer, but not longer than 24 months. The assistance would be provided on commercially reasonable terms and the fees would be as provided in Confidential Appendix F to the Decision and Order. Dow and Arkema have agreed upon a form of a Technical Assistance Agreement (Exhibit X-1 to the APA). Section 2.1 of the Technical Assistance Agreement provides that Dow will provide, at Arkema's request, services reasonably necessary to enable Arkema to receive and use the divested assets. Section 2.6 of the Technical Assistance Agreement provides that the term of the Agreement is 24 months, and Section 2.4 and Exhibit B implement the fee schedule from Confidential Appendix F to the Decision and Order.

9. Transition Services Agreement. Paragraph III.C.5. of the Decision and Order provides that at the option of the Acrylic & Latex Business Acquirer Dow shall enter into a Transition Services Agreement, under which Dow would provide the acquirer with all services reasonably necessary to transfer administrative support services to the acquirer. Dow and Arkema have agreed upon a form of a Transition Services Agreement (Exhibit C to the APA). The services to be provided pursuant to the Transition Services Agreement include: accounting & finance services; environmental, health, and safety consultation; IT services (workstation leases, telephone services, mainframe operations, data storage); quality and customer service support; and supply chain logistics. Dow will also provide Arkema with the following information: customer, vendor, and product data; batch and recipe information; and equipment maintenance history. Paragraph III.C.5. requires that batch and recipe data be transferred in a usable format by the Effective Date of Divestiture. Exhibit A to the Transition Services Agreement provides that these data will be transferred in a standard Excel format upon Arkema's request. For other services, Paragraph III.C.5. provides that the term shall be not longer than six months from the Effective Date of Divestiture, with an option for the acquirer to extend the

period for an additional six months. Exhibit A to the Transition Services Agreement lists the time periods for which each service will be provided (typically from the Effective Date of Divestiture to the date that is six months from the date of the execution of the APA). Section 2.1 of the Transition Services Agreement provides that these time periods may be extended for a time period not to extend beyond 12 months from the Effective Date of Divestiture if the transition cannot be completed in the initial period.

10. Improvement or Expansion of the St. Charles Facility. Paragraph III.D. of the Decision and Order requires that Dow permit the Acrylic & Latex Business Acquirer, at its cost and in connection with its production of acrylic latexes at the St. Charles Facility, to improve, expand, change the technologies, processes or product mix at, or otherwise modify the St. Charles Facility.

Section 3.1 of the Site Services Agreement provides that if Arkema chooses to, in connection with its production of acrylic latexes at the St. Charles Facility, improve, expand, change the technologies, processes or product mix at, or otherwise modify the St. Charles Facility in a way that would require site services beyond the current maximum capacity, Dow and Arkema will work together to negotiate the charges for any needed expansions or changes. If Dow and Arkema cannot agree upon the charges, Dow will grant Arkema rights as required to make such change, as long as such change does not cause physical damage to or unreasonably interfere with Dow's other businesses at St. Charles.

11. Employee provisions. Paragraph III.E. of the Decision and Order requires Dow to reasonably cooperate to assist the Acrylic & Latex Business Acquirer in evaluating and retaining Acrylic & Latex Key Employees and Acrylic & Latex Knowledgeable Employees. As described below, Dow has included the obligations of Paragraph III.E. in the APA.

Paragraph III.E.1. provides that, no later than 45 days before the Effective Date of Divestiture, Dow shall provide the Acrylic & Latex Business Acquirer with lists of the Acrylic & Latex Key Employees and Acrylic & Latex Knowledgeable Employees and accompanying Employee Information and shall provide the Acrylic & Latex Business Acquirer with an opportunity to interview any of these employees. Paragraph III.E.2. requires that, not later than 30 days before the Effective Date of Divestiture, Dow shall provide the Acrylic & Latex Business Acquirer with an opportunity to meet with any one or more of the Acrylic & Latex Key Employees and Acrylic & Latex Knowledgeable Employees outside of Dow's presence and to make offers of employment to any one or more of these employees. Section 9.01(a)(1) of the APA includes the requirements of both Paragraphs III.E.1. and III.E.2.[30]

Paragraph III.E.3. provides that Dow shall not interfere with the Acrylic & Latex Business Acquirer's offer of employment to any of the Acrylic & Latex Key Employees or Acrylic & Latex Knowledgeable Employees or try to persuade any such employees to decline an offer of employment with the Acrylic & Latex Business Acquirer. Paragraph III.E.3. also provides that Dow will waive any equitable or legal right that would deter Acrylic & Latex Key Employees or Acrylic & Latex Knowledgeable Employees from accepting employment with the Acrylic & Latex Business Acquirer. Section 9.01(g) of the APA includes these requirements.

Paragraph III.E.4. requires Dow to cooperate with the Acrylic & Latex Business Acquirer to provide incentives for Acrylic & Latex Key Employees to accept employment with

[redacted]

the Acrylic & Latex Business Acquirer. The details of such incentives are provided on Confidential Appendix A to the Decision and Order. Section 9.01(b)(iii) of the APA obligates Dow to reimburse Arkema for payments made pursuant to this retention plan. Such payments are to be made to employees who accept employment with Arkema three months after the Effective Date of Divestiture.

Paragraph III.E.5. prevents Dow from soliciting for two years after the Effective Date of Divestiture any Acrylic & Latex Key Employee who has accepted an offer of employment with the Acrylic & Latex Business Acquirer. This obligation is included in Section 9.01(f) of the APA. With certain exceptions, Paragraph III.F. prevents Dow from soliciting for one year after the Effective Date of Divestiture any Acrylic & Latex Key Employee or Acrylic & Latex Knowledgeable Employee who has accepted an offer of employment with the Acrylic & Latex Business Acquirer. This obligation is included in Section 9.01(d) of the APA.

12. Purpose of the Decision and Order. Paragraph III.H. of the Decision and Order provides that the purpose of the divestiture of the Acrylic Acid Business and the Latex Polymers Business to the Acrylic & Latex Business Acquirer is to create an independent, viable and effective competitor in the relevant markets in which the Acrylic Acid Business and the Latex Polymers Business were engaged at the time of the announcement of the Acquisition, and to remedy the lessening of competition resulting from the Acquisition as alleged in the Commission's Complaint. As discussed in greater detail above, Arkema is an integrated, experienced chemical manufacturer that currently operates acrylics monomers production assets and related downstream assets. While Arkema is active in acrylics monomers worldwide, it is a minor competitor in North America, the geographic market identified in the Commission's complaint. Accordingly, the proposed divestiture of the Acrylic Acid Business and the Latex Polymers Business to Arkema will accomplish the Commission's goals.

* * *

Dow and Arkema have entered into an Asset Purchase Agreement and agreed upon forms of other agreements relating to the divestiture of the Acrylic Acid Business and the Latex Polymers Business that fully comply with the Commission's Decision and Order. Further, there is every reason to believe that Arkema will be a viable and competitive owner of the Acrylic Acid Business and the Latex Polymers Business. Accordingly, Dow hereby seeks expeditious Commission approval of the proposed divestiture – along with the related agreements – pursuant to Paragraph III.A. of the Decision and Order.

Conclusion

For the foregoing reasons, Dow respectfully requests that the Commission expeditiously approve the proposed divestiture of the Acrylic Acid Business and the Latex Polymers Business to Arkema, in the manner provided in the APA and ancillary agreements, as soon as practicable after expiration of the public comment period.

Respectfully submitted,

George S. Cary /EHE

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Counsel for Dow

Dated: August 10, 2009

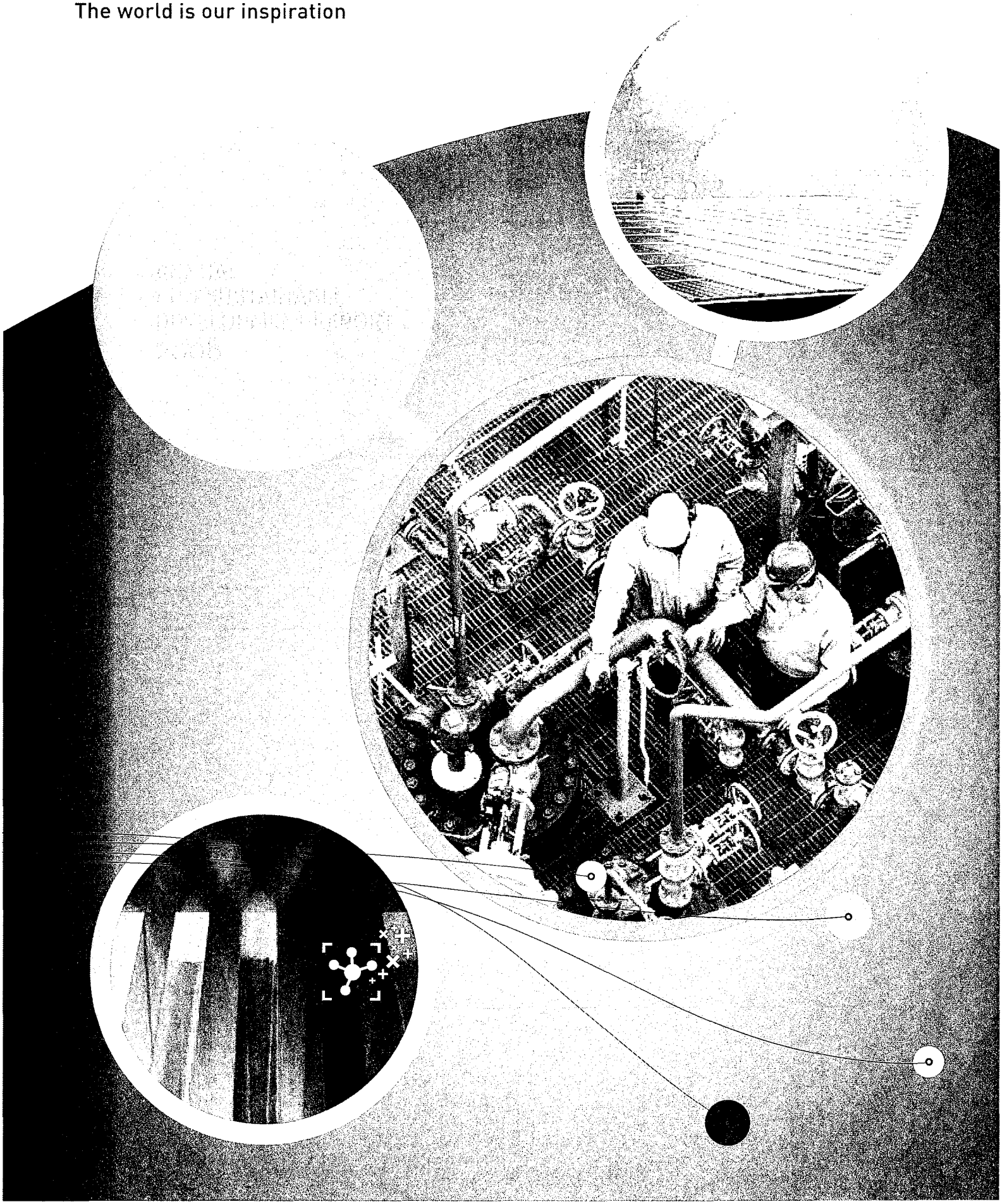
PUBLIC VERSION

EXHIBIT 1

Arkema's 2008 Annual and Sustainable Development Report

ARKEMA

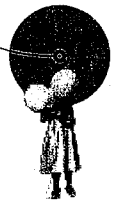
The world is our inspiration



Progress

Stability

Contents



Interactions

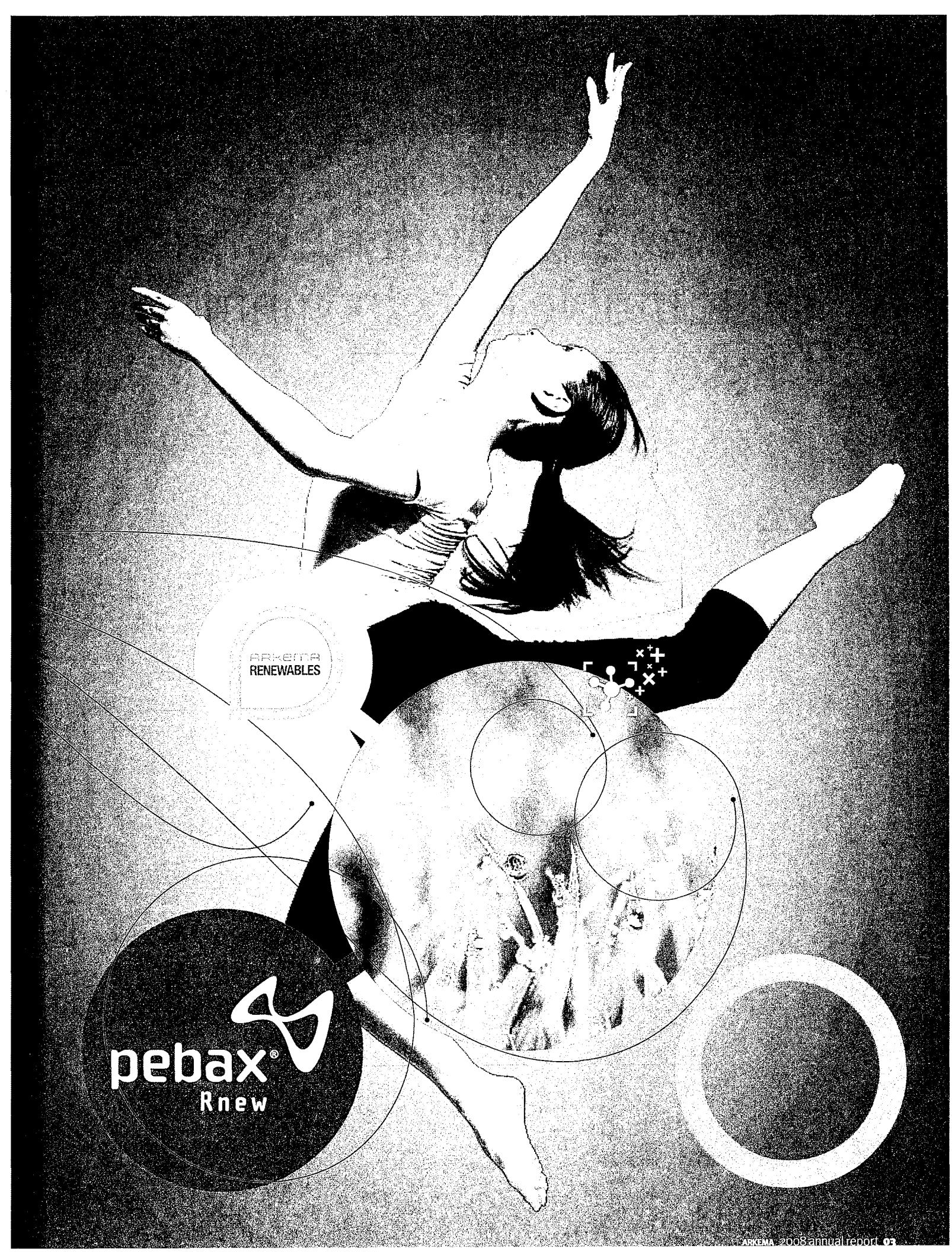
Appendixes


ARKEMA
The world is our inspiration

02

Progress

To meet the immense challenges of sustainable development, people must constantly rethink how they address the world's urgent environmental, social and economic issues.
By focusing on genuinely innovative, ambitious, disruptive research, Arkema helps us achieve a fresh balance by designing and developing safer, ever more efficient, eco-friendly products.


ARKEMA
RENEWABLES
pebax®
Rnew

Performance materials and sustainable development, the core of our R&D

R&D is pivotal to Arkema's future, setting the stage for disruptive research projects, developing a broad range of ultra-high-performance materials, contributing to the advancement of new energy sources, and emphasizing renewable raw materials when designing new processes and products.

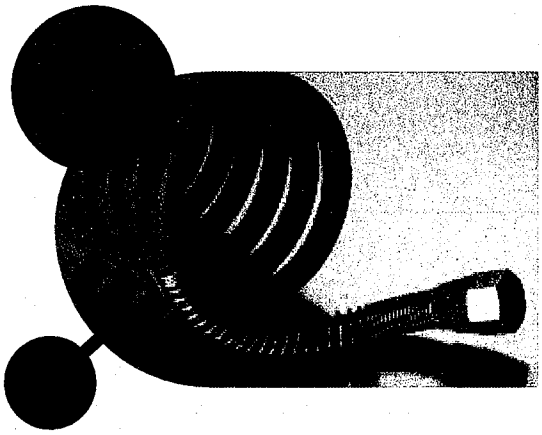
An innovation-driven organization

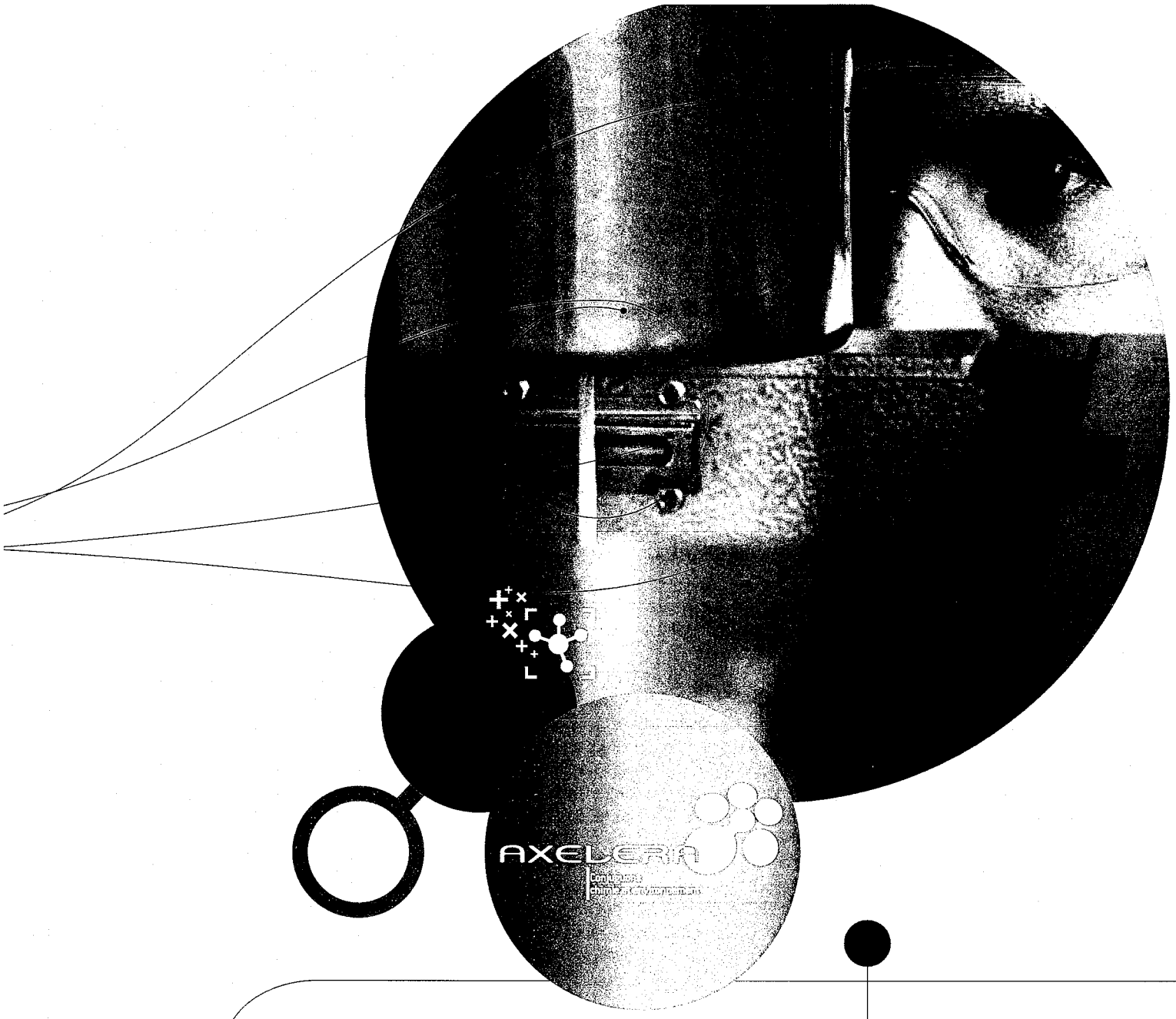
Innovation in the chemical industry is driven not by applied research intended to advance existing operations on a day-to-day basis, but by medium and long-term projects, whose commercial applications may require several years' development. These efforts must be managed at corporate level, independent of each business unit's short-term financial constraints.

Arkema's R&D Department reports directly to the Chairman and CEO and commands a budget of over 2.5% of sales. The skills and expertise of our 1,200 researchers are deployed throughout six research centers in France, the United States and Japan. More than 10% of our R&D budget is directly earmarked for disruptive research projects that allow us to anticipate and plan for the future.

To give our innovation-focused R&D projects every chance of success, we have put together a unique, dedicated incubator organization with the human and technical resources needed to carry out such projects. Arkema's incubator interacts fully with the relevant business units, which take over projects once they reach maturity.

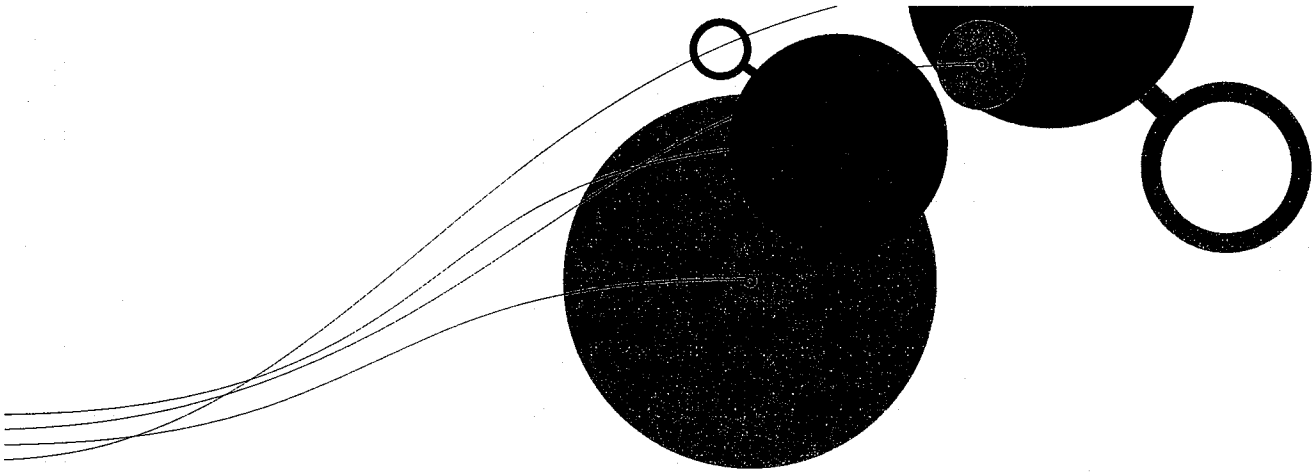
The versatility of the incubator organization facilitates different types of projects, from developing new products and processes to acquiring startups and managing industrial and academic partnerships.





Arkema, a key player in the Axelera competitiveness cluster in France

Three years after its creation, the Axelera chemical-environmental competitiveness cluster passed an evaluation by the French Ministry of Industry. In addition to initiating R&D programs and signing up some 150 regional members, from major corporations to small businesses and public research and educational institutions, Axelera has entered into four partnership agreements with other European clusters. Axelera's growth strategy is now focused on five areas: chemistry for societal issues, protection of natural areas, materials recyclability, green chemistry, and the factory of the future. Arkema's researchers are involved in many of the cluster's R&D programs, strengthening our innovation potential alongside a number of industrial operators and academics from the Rhône-Alpes region.



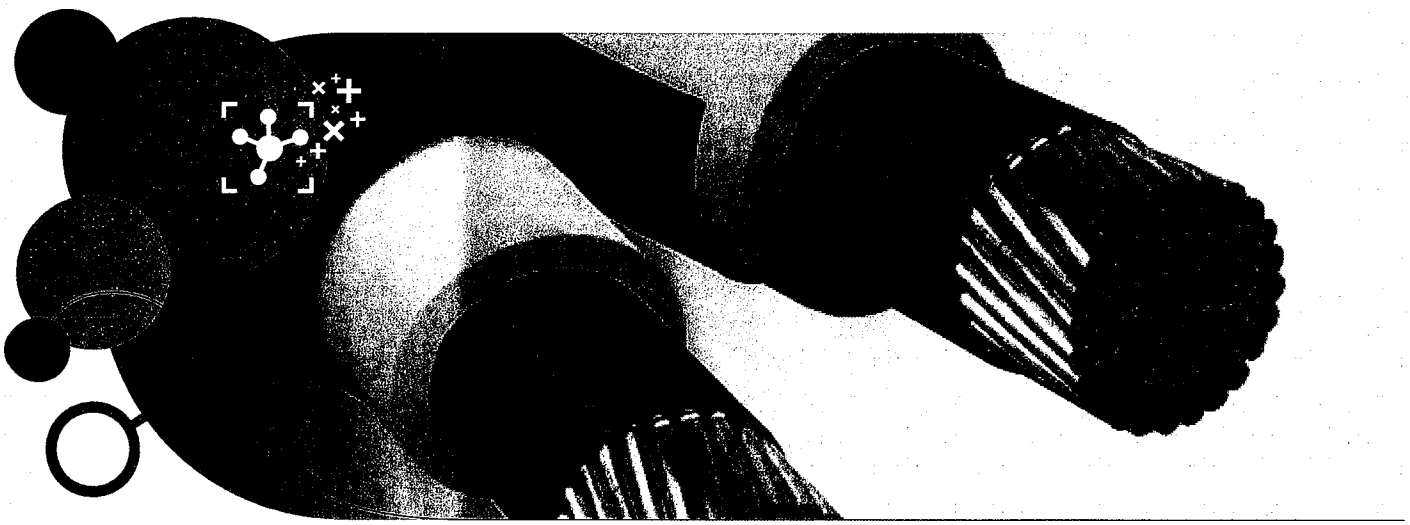
Arkema stepped up its collaboration with the academic and scientific communities by participating in the creation of the first partnership foundation in France. Instigated by the *Université Claude Bernard Lyon 1*, the *Fondation Lyon 1* heralds a fresh type of relationship between universities and companies. In keeping with our research and innovation policy, we offer the foundation financial support and, more importantly, technical and strategic expertise, boosting three-way collaboration among universities, the research community and industry.

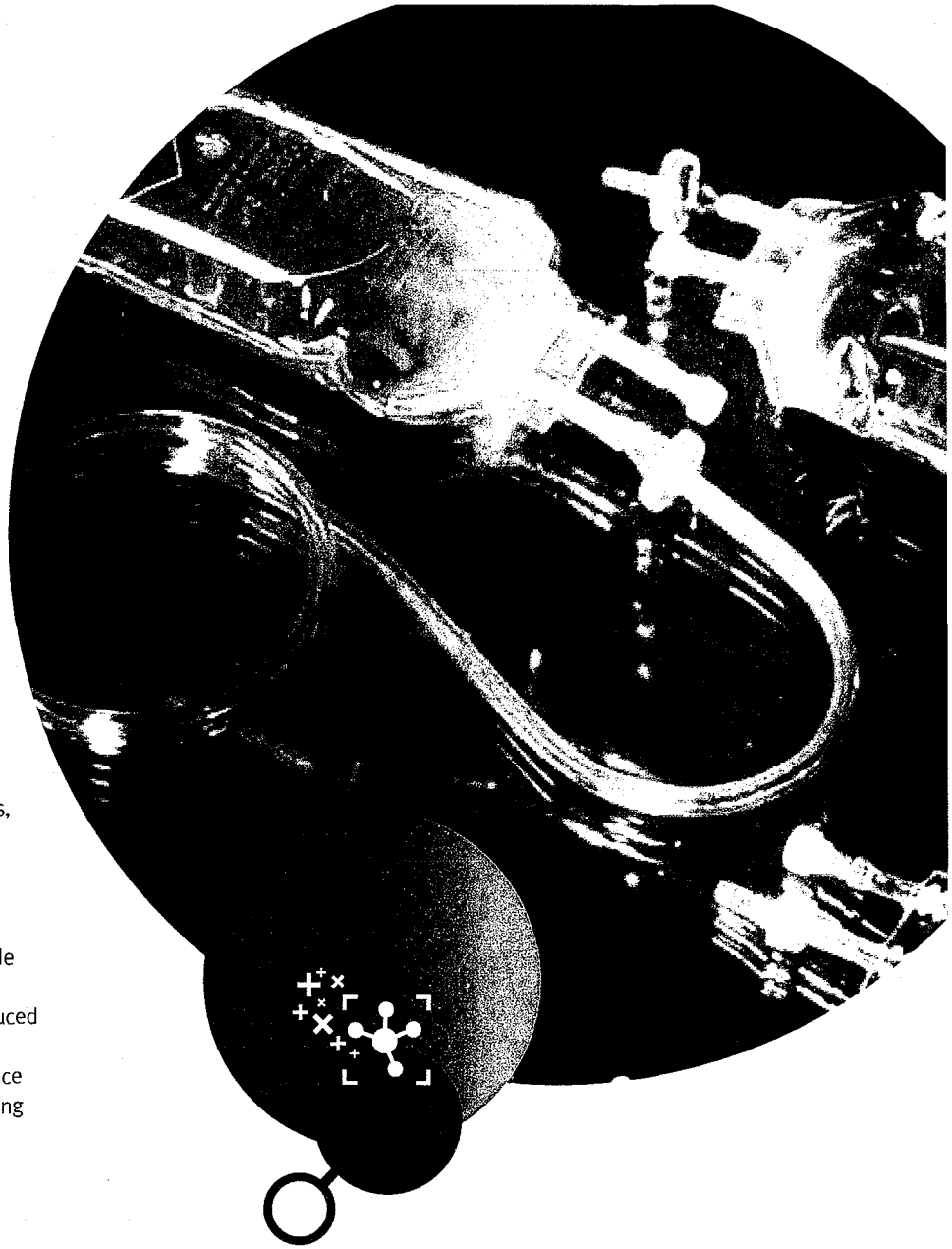
Industrial and academic partnerships

R&D partnerships with other manufacturers and university research departments allow the partners to pool their skills and expertise. To be truly effective, R&D partnerships must be long-term. One such arrangement is the framework agreement signed in 2008 with the French National Center for Scientific Research (CNRS), which has led to the creation of full-fledged technology hubs that support ongoing exchanges and know-how transfers.

Arkema is the cornerstone industrial partner in a number of Europe-wide projects:

- The Genesis program, created to commercialize applications for nanostructured materials, brings major industrial groups, small businesses and several university laboratories together with Arkema, a leader in the field of nanostructured materials and Europe's only producer of functional copolymers with controlled architecture. This consortium designs potential market applications for nanostructured materials, including applications for automobiles, cables, and structural composites and technologies like energy, environmental, information and communications.
- Arkema and the Aquitaine Regional Council strengthened their partnership in 2008 by signing a memorandum of understanding to create a European technology innovation hub. CANOE *(Consortium Aquitain d'Innovation Nanomatériaux et Électronique Organique)* is dedicated to expanding the organic electronics and nanostructured materials sectors.
- Arkema, through our Carling research center (CRDE), is also collaborating with the *École Nationale Supérieure des Industries Chimiques de Nancy* (ENSIC) chemical engineering school and the Lorraine region as a partner in the region's process intensification expertise center.





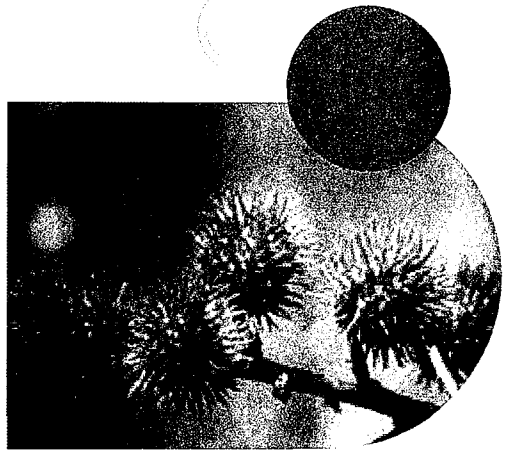
Creating a range of ultra-high-performance materials

Polymer materials from Arkema fall into three families, depending on their intrinsic properties:
- base polymers, such as PVC;
- performance polymers, like PMMA, conventional polyamides and functional polyolefins;
- and ultra-high-performance materials, which include polyamides with special properties, nanostructured materials, polyether ketone ketone, and rubber produced by supramolecular chemical processes.

We plan to expand our family of ultra-high-performance materials and have set an ambitious target of increasing their sales ten-fold over the next five years, to €250 million annually.

Arkema's contribution to sustainable development solutions

Through the many products we already market and our strong R&D emphasis on designing innovative materials and processes, we do our part to devise solutions that support sustainable development.
- We help to conserve fossil fuel resources by stepping up the use of plant-derived raw materials, especially to produce performance materials.
- We are contributing to the development of new energy sources, notably photovoltaic solar power, by developing materials that boost cell efficiency and longevity.
- We are developing the processes of the future, which are more energy-efficient, environmentally friendly and based on renewable raw materials.
- We offer solutions that meet the needs of both society and the environment, for example by fine-tuning and developing next-generation fluorocarbon gases with lower greenhouse effects.

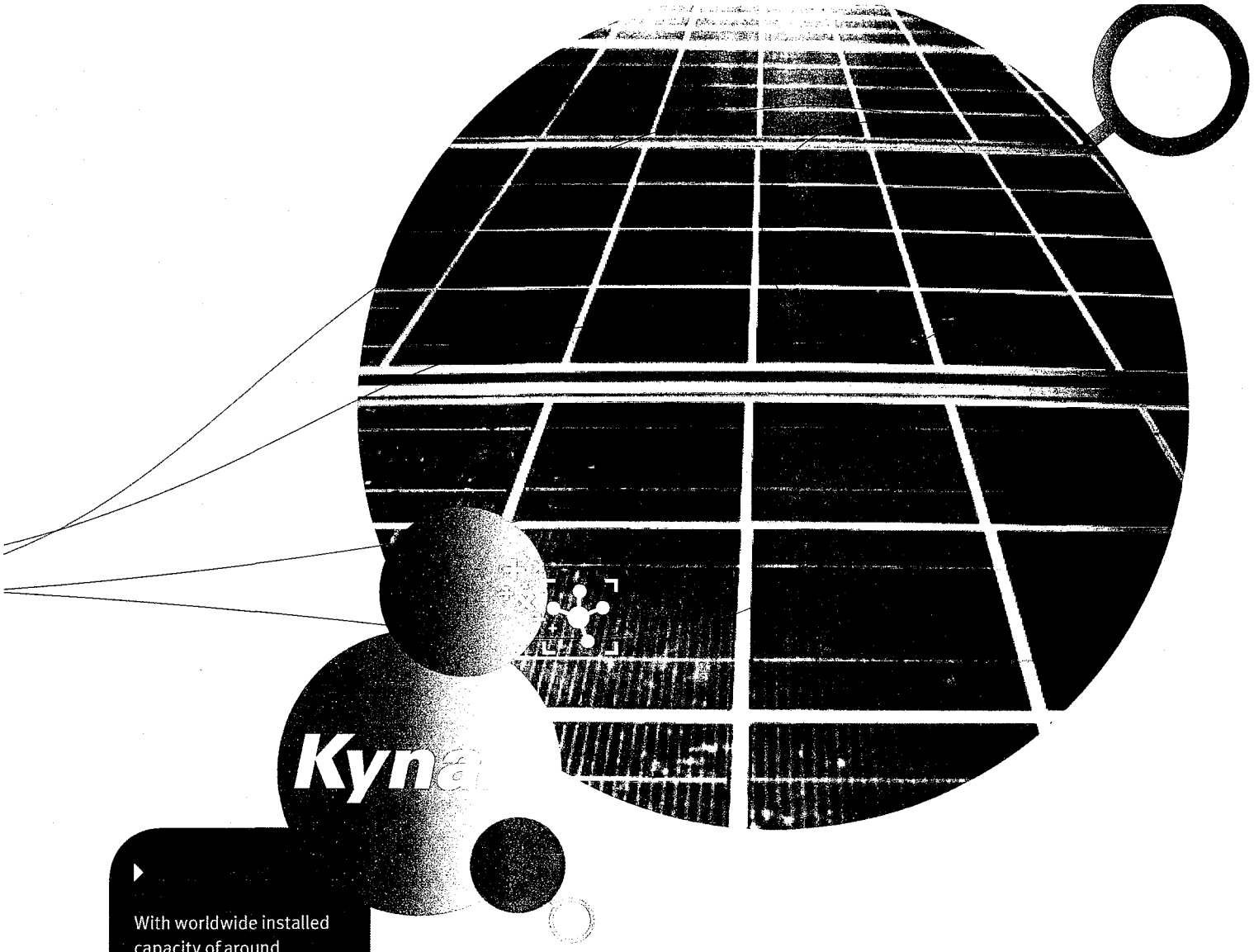


Photovoltaic solar energy for tomorrow's electricity

Solar radiation is a clean, renewable energy source. Longstanding industrial and domestic thermal applications include heating buildings and producing hot water. Harnessing solar energy using photovoltaic technology to convert sunlight to electricity is now a fast-growing application.
Our planet perpetually captures energy from the sun equivalent to about 10,000 times global consumption from all sources. There are no greenhouse gas emissions or long-lived wastes associated with solar power, unlike conventional energy.

Arkema's materials optimize solar cell efficiency

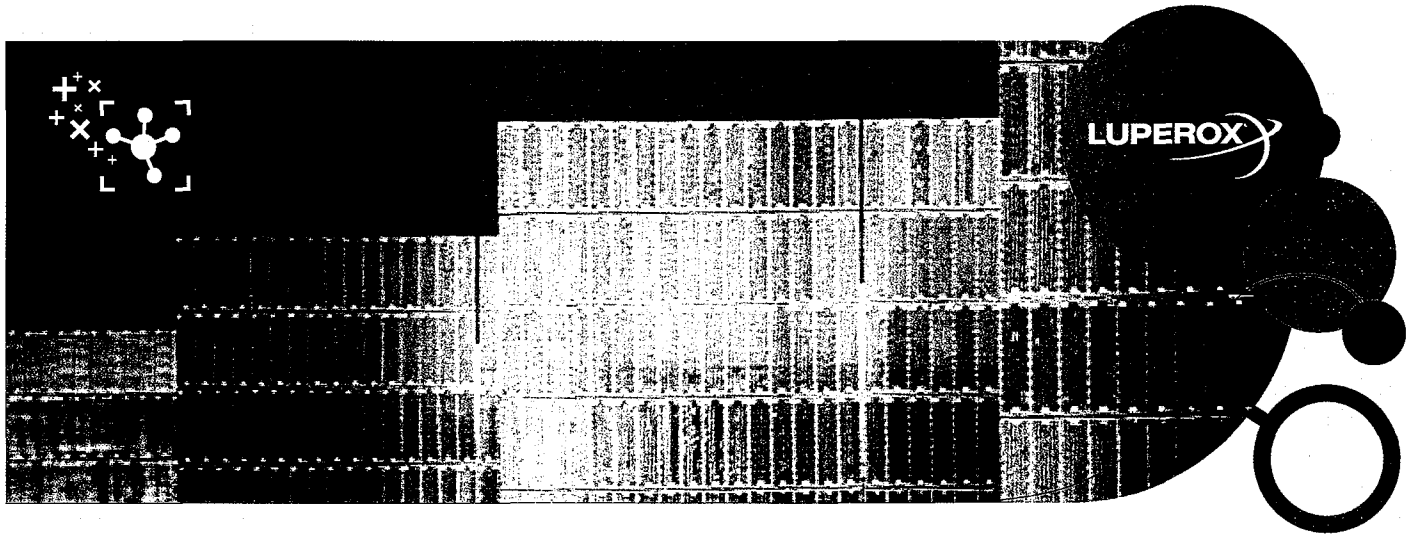
Used to make films for the back contacts of photovoltaic cells, Arkema's Kynar® PVDF combines several properties essential to cell longevity and efficiency. Easy to work with and resistant to temperature fluctuations and moisture, this stable white film also reflects light towards the cell's silicon.
Ethylene vinyl acetate resins with high vinyl acetate content, Arkema's Evatane® technical polymers promote adhesion and effectively protect silicon and electrical circuits. Cross-linked with Luperox® organic peroxides, they are highly transparent and help to maintain photovoltaic cell performance over time.



With worldwide installed capacity of around 10,000 MW, photovoltaic solar energy currently accounts for less than 1% of global power production, but its generating capacity is growing at a rate of 40% per year.

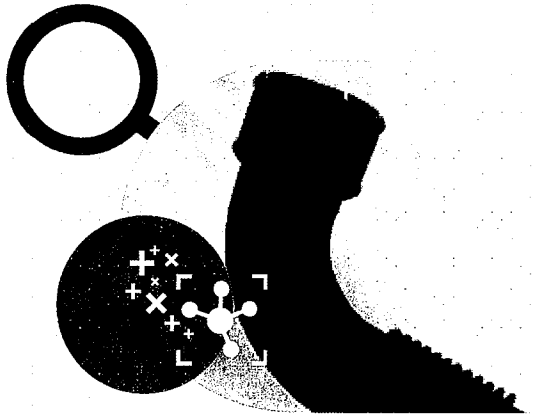
Ever more innovative materials for the photovoltaic cells of the future

Arkema is working to develop and refine innovative materials that will make photovoltaic cells more efficient by boosting their output and lowering their production costs. In coming years, the use of new polymers and nanostructured materials should raise the effective recovery rate of the captured solar energy from 15% to 40%.



Ultra-high-performance materials

In addition to basic polymers like PVC, Arkema offers an extensive range of high-performance polymers, from PMMA to polyamides and functional polyolefins. Increasingly however, our expertise is growing in ultra-high-performance materials, which are paving the way for innovative applications across advanced technology sectors.



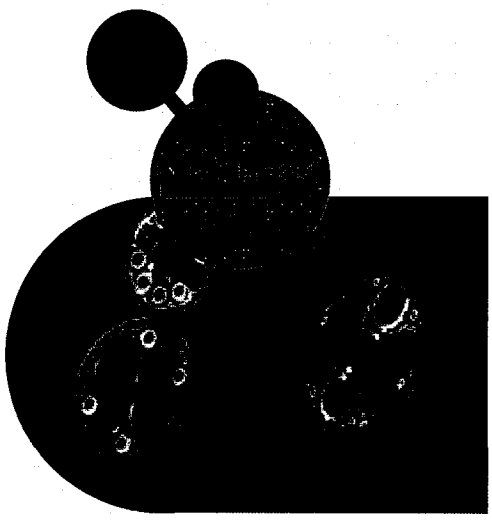
Ultra-high-performance polymer materials

We are already active in the ultra-high-performance niche with internationally recognized brands like Kynar® fluoropolymers, Rilsan® polyamides and Pebax® thermoplastic elastomers. Through innovative R&D, we are also developing new polymers with outstanding properties. Currently in commercial use are innovative materials like transparent polyamides, high-temperature polyamides, fluoropolymers specifically designed for photovoltaic cells, and self-repairing rubber.

New bio-based performance polymers

The first thermoplastic elastomers derived directly from castor oil — the same renewable material used to make Rilsan® polyamide 11 — Pebax® Rnew delivers the same superior properties as conventional petroleum-derived Pebax® products. Made entirely from renewable raw materials, Platamid® Rnew is used to manufacture thermoplastic hot-melt adhesives suitable for even the trickiest bonding applications.

pebax® Rnew

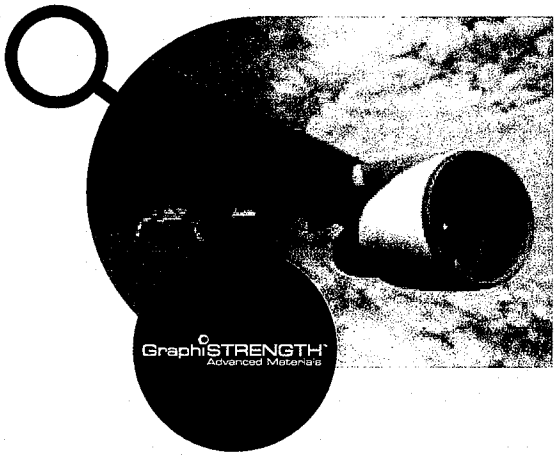


Polyether ketone ketone (PEKK) polymers, the newest in Arkema's range of ultra-high-performance polymers

To augment and enhance our existing range of high-performance materials, we acquired U.S.-based Oxford Performance Materials, Inc. (OPM), which markets Oxpekk® polyether ketone ketone polymers. These products have exceptional properties, including excellent high-temperature and chemical resistance, unmatched abrasion resistance and natural flame retardancy. They currently have applications in aerospace, long-term medical implants and downhole equipment for the oil and gas industry.

Nanostrength® & Graphistrength®, two nanostructured materials with exceptional properties

Produced using proprietary technologies that can control their molecular structure and available dispersed in polymer matrices, Arkema's nanostructured materials, marketed under the Nanostrength® and Graphistrength® brands, offer exceptional improvements in mechanical strength and electrical and thermal conductivity.

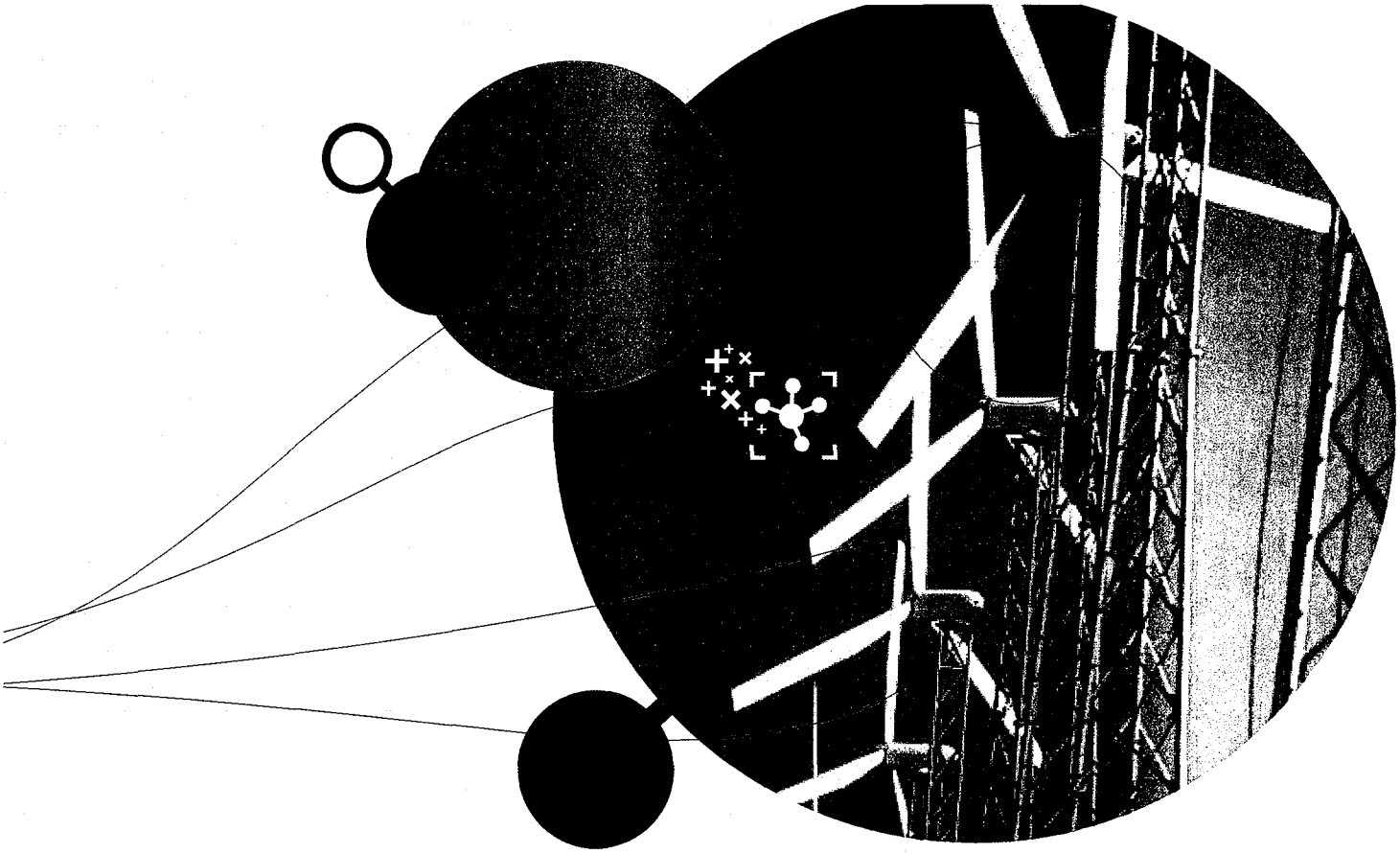


Ultra-high-performance applications

Nanostrength® and Graphistrength® are designed for use in cutting-edge technologies that require performance levels superior to those of conventional materials. They are useful in a wide array of applications, including aerospace and aviation, sports, automobiles, electrical engineering, electronics, specialty adhesives and tires.

Graphistrength® carbon nanotubes

The Graphistrength® line includes various grades of multiwall carbon nanotubes, produced at a pilot facility at our Lacq research center in southwestern France, and masterbatches formulated from multiwall carbon nanotubes dispersed in thermoplastic or thermoset polymers.



Nanostrength® block copolymers

Made using proprietary Arkema technologies, Nanostrength® block copolymers are currently available in two families that differ in their chemical properties and the arrangement of their basic blocks. These nanostructured materials have a number of applications in thermosetting and thermoplastic polymers, composite materials and rubber. Regardless of the processing method used, they increase the impact strength of materials without adversely altering such basic properties as thermal behavior and transparency.

Preventing potential risk in nanoparticle use

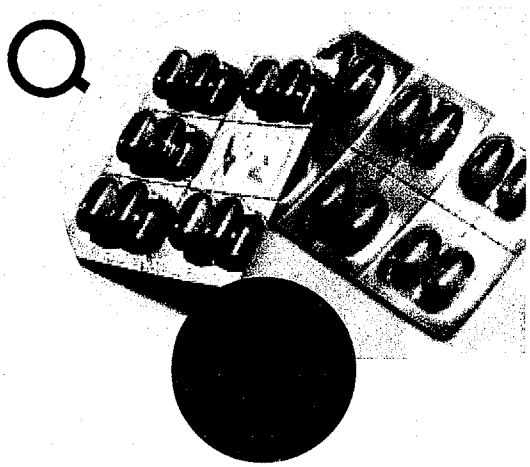
To counter the potential health risks involved in handling carbon nanotubes, Arkema follows the recommendations of the *Haut Conseil de la Santé Publique*, France's public health council, and emphasizes exposure prevention for our employees and user customers. Our voluntary, proactive approach involves three principles: promoting protection wherever safety concerns arise, acquiring the knowledge needed to characterize potential risks, and providing stakeholders with complete information.

Innovation-driven processes

Continuous improvement, especially to enhance energy efficiency, further optimize safety, effectively meet environmental requirements and increase the use of renewable-sourced raw materials, is a core focus of Arkema's R&D, applied not only to production, but also to high-performance downstream applications.

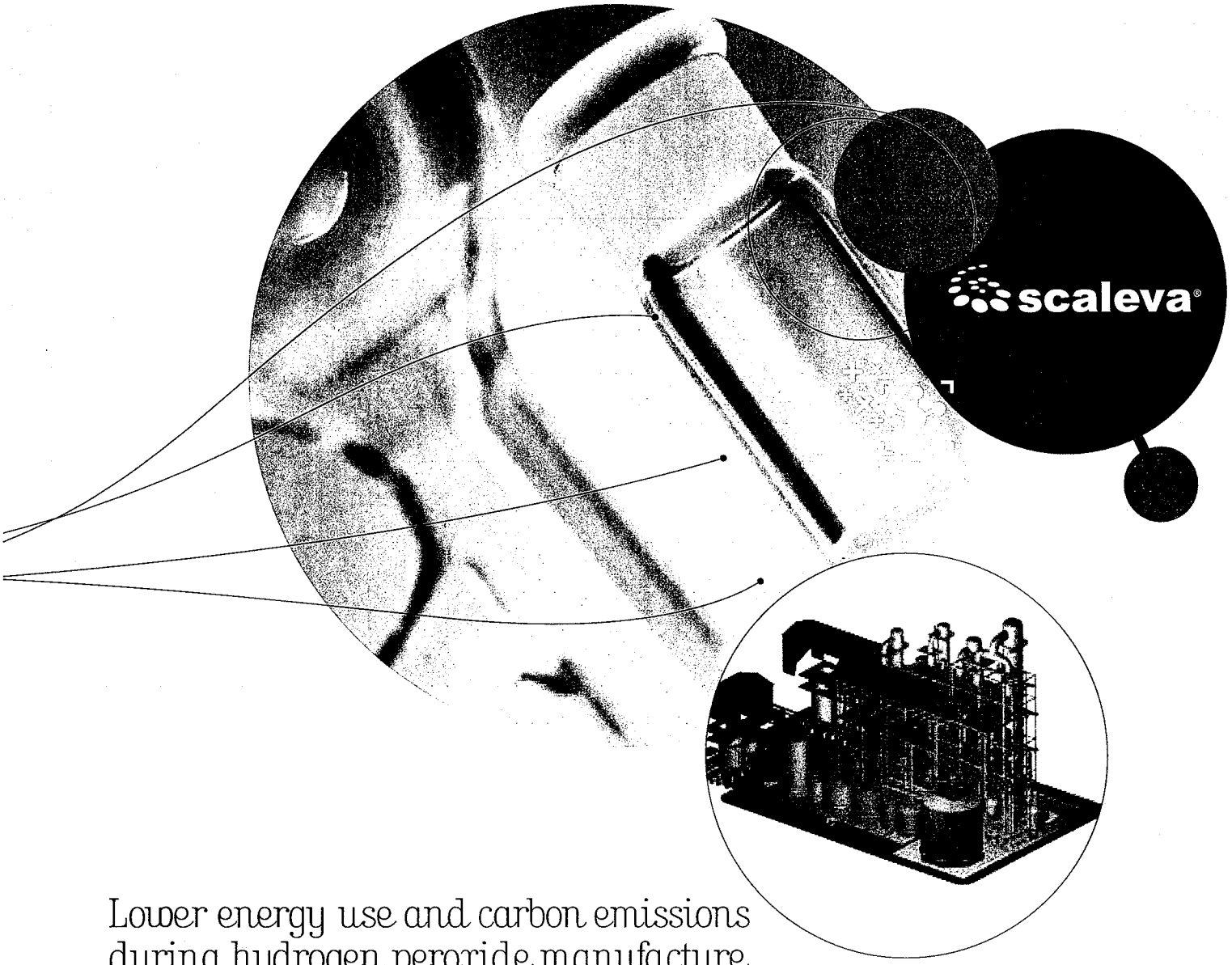
Environmentally friendly cleaning

We have developed an innovative, environmentally friendly cleaner, trademarked Scaleva®, which ensures scrupulous hygiene in the food industry. The new product is a sustainable alternative to phosphoric acid, whose use generates significant phosphorus discharges that can damage the aquatic environment. Compatible with stainless steel, Scaleva® is a step change in the dairy, cheese, brewing and salt-preserving industries.



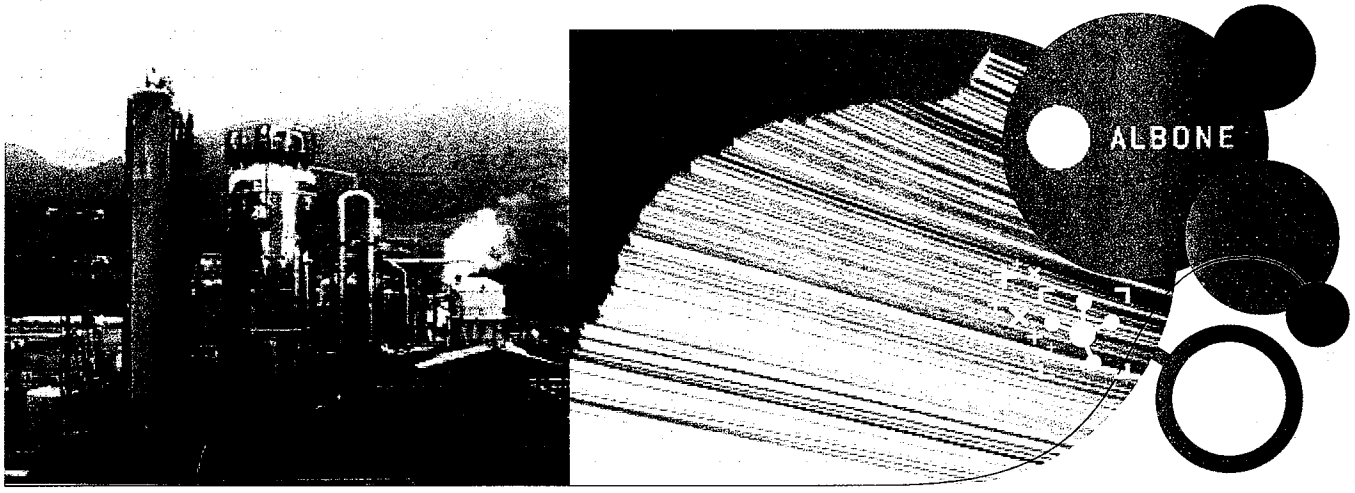
Glycerol as an acrylic acid feedstock

Through basic R&D, we have identified an efficient catalyst that allows glycerol, a co-product of oilseed-derived biofuel manufacture, to substitute for some of the propylene required to produce acrolein and acrylic acid, both of which have industrial applications in pharmaceuticals, animal feed, and papermaking.



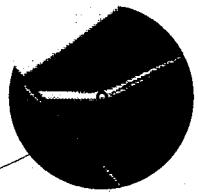
Lower energy use and carbon emissions during hydrogen peroxide manufacture

Distillation to adjust the strength of the solution is one step in the hydrogen peroxide manufacturing process. At the Jarrie production plant, the largest of the five operated by Arkema worldwide, an innovative technology enhances distillation efficiency through optimum use of steam. Compared to the conventional technology, it uses around 35% less energy and reduces carbon emissions by 70 kilograms for every metric ton of hydrogen peroxide produced, or more than 7,000 metric tons a year.



Stability

In a global economy shaped by a host of complex interactions and experiencing changes of unprecedented scale, businesses must act swiftly to reinvent themselves and recalibrate their strategies. France's leading chemical producer and a world-class chemical company, we rely on our established manufacturing culture, international reach, top-tier positions in most of our business segments, and healthy balance sheet to ensure long-term stability.

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Interview with Thierry Le Hénaff

"Thanks to a far-reaching transformation that has accelerated sharply since our IPO, we are well-equipped to deal with the deteriorating economic environment."

How would you sum up 2008 in economic terms?

Arkema's annual results remained solid, despite a severe economic downturn in the fourth quarter. Thanks largely to internal improvements made by all our teams, our ability to weather rocky conditions resulted in an EBITDA margin very close to that of 2007.

In an environment of high raw materials and energy prices, demand held steady through the first nine months of the year. But the global economy experienced a sharp, sudden fourth-quarter downturn, prompting massive destocking by our customers.

We immediately focused on adjusting our production to match shrinking demand and on cash management and cash generation. This allowed us to maintain a decent financial position with modest debt of under €500 million, equal to our 2008 EBITDA. This is an undeniable asset these days.

How are you approaching 2009?

At this point, no one can say how deep or how long the current global economic crisis will be, but things are likely to remain quite tough in 2009. That means that our priorities will be maintaining a very healthy balance sheet and cutting costs.

We will stay vigilant about adapting to changes in demand while maintaining Arkema's strength, so that we're in solid shape when the crisis ends.

How would you assess Arkema's performance in the three years since the IPO?

We have done everything we said we would do at the time of the IPO in May 2006, despite the relatively unfavorable environment over the period. Although deteriorating economic conditions have cost us around €120 million in EBITDA, average annual EBITDA growth topped 12% over the last three years. We have also surpassed our objective for working capital, which now represents 18.7% of sales — better than the 20% originally targeted. In 2008, free cash flow was €68 million, with a net debt-to-equity of 25%.

We have also tightly focused our portfolio by divesting non-strategic product lines with sales of €400 million and making small, selective acquisitions that generated €200 million in sales.

Over the last three years, thanks to the tireless efforts of all our employees, we have enhanced our competitiveness while implemented growth projects that will gradually produce benefits in the coming years.

Arkema has grown much stronger since the IPO, and we are well equipped to deal with the current crisis. The initial earnings gap with our peers has already been cut by more than half. Yes, we still have a lot of work to do in order to rank among the best in class, but I know we're on the right track.

What is Arkema's strategy?

Arkema's strategy is to balance cost improvements, growth in Asia, product innovation and a more tightly focused business portfolio. Although currently engrossed in dealing with today's economic environment, our employees are still pursuing efforts to totally transform the company and realize our long-term vision.

We are gradually moving our portfolio of businesses toward higher value-added products, significantly

improving our cost base and maintaining a healthy balance sheet with low debt.

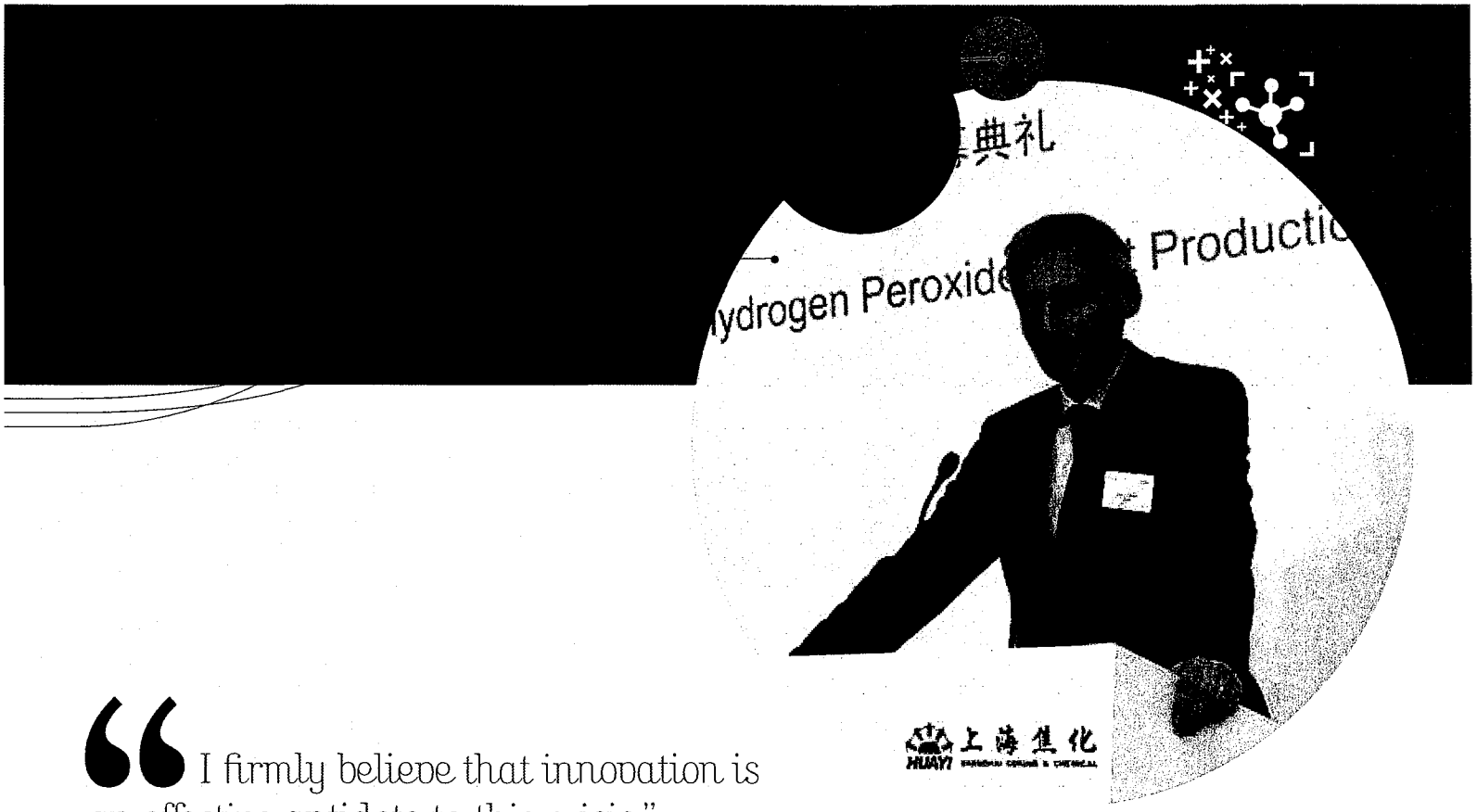
As an industrial operator and chemical producer, we are mindful of our responsibilities to promote health, safety and environmental protection through thoroughgoing initiatives that reflect our beliefs. These include completing the tasks required for compliance with the European Union REACH regulation, further reducing our greenhouse gas emissions, reaching out to our stakeholders through our Common Ground® initiatives, and offering our customers sustainable development solutions.

Is the economic crisis impacting your innovation strategy?

Slowing the pace of our new product and process rollout is absolutely out of the question. On the contrary, I firmly believe that innovation is an effective antidote to the crisis.

We directly allocate 10% of our R&D spending to long-term disruptive research projects, and we have created a unique "incubator" organization with the human and technical resources required to carry out such projects, under optimum conditions, right through to the commercial development stage.

Our long-term innovation goals center on two main areas: delivering the ultra-high-performance materials that our customers increasingly demand and developing a wide range of sustainable development solutions, especially in the new energies like photovoltaic solar power and next-generation refrigerant gases from plant-derived materials.



"I firmly believe that innovation is an effective antidote to this crisis."

What do you think the French chemical industry's priorities should be for joint action and coordination with the European Union chemical industry?

I had the honor of representing the French chemical industry as part of a European Commission High Level Group that spent the last 18 months identifying the basic building blocks for a modern, competitive, sustainable European Union chemical industry.

I am convinced that the French chemical industry can and should play an assertive role in EU joint action and coordination, even though it has fallen somewhat behind its Central European counterparts in the last ten years.

We have to accurately assess the stakes involved and support a powerful manufacturing and technological base in France. Of course, we must step up both process and new product research and innovation to keep pace with changes driven by sustainable development concerns. The research tax credit is a very effective mechanism for fostering innovation in France. Moreover, Arkema is closely involved in a number of French competitiveness clusters, including Axelera in the Lyon region and the nanostructured materials cluster in the Aquitaine region.

As the work of the Strategic Council for the French Chemical Industry (COSIC) highlighted so well, France's chemical industry absolutely must be able to purchase energy at competitive prices and have ongoing access to petrochemical feedstock and an efficient transportation infrastructure.

The E.U. chemical industry's framework for the next 20 years has been established. It is now up to us to hammer out a French equivalent as soon as possible. With its long tradition of chemistry expertise, as evidenced by its many Nobel prizewinners and top-flight, prestigious schools and universities, France has a strong hand to play. As the country's leading chemical producer, with a solid commitment to innovation, Arkema has every intention of playing it fully.

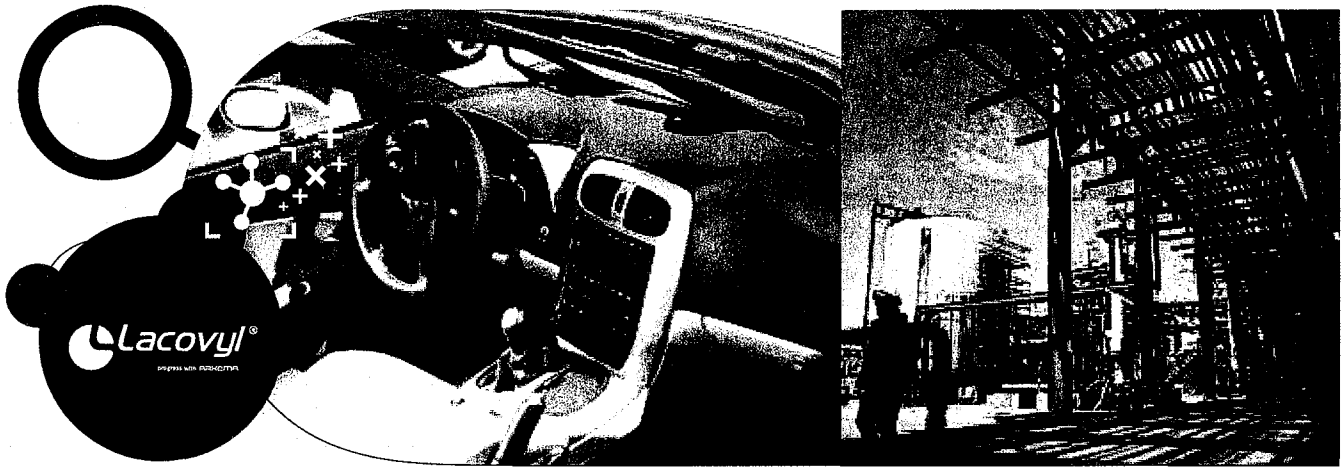
Executive Committee
From left to right:
Thierry Le Hénaff,
Otto Taken,
Marc Schuller,
Pierre Chanoine,
Michel Delaborde,
Alain Devic,
Thierry Lemonnier,
and Bernard Boyer.

The Executive Committee

Thierry Le Hénaff is Chairman of the Board of Directors and Chief Executive Officer of Arkema.
He chairs an Executive Committee whose other committee members are:
• the Executive Vice-Presidents of the three business segments of Arkema: Otto Takken (Vinyl Products), Marc Schuller (Industrial Chemicals) and Pierre Chanoine (Performance Products),
• the senior executives of the four corporate support functions: Executive Vice Presidents Michel Delaborde (Human Resources and Corporate Communications), Alain Devic (Industrial Operations) and Bernard Boyer (Strategy), and Chief Financial Officer Thierry Lemonnier.
The Executive Committee is a decision-making organization that carries out strategic planning, tracks performance and examines important organizational issues and major projects.
The Executive Committee usually meets twice a month.
Each member is responsible for ensuring compliance with shared rules and principles in the operations he oversees.

3 business segments, 13 business units

Our three business segments market internationally recognized products and brands that give us global or European leadership in most of our businesses.



Vinyl Products

Vinyl Products, which generates a quarter of Arkema's sales, consists of four business units: Chlorine/Caustic Soda, PVC, Vinyl Compounds, and Pipes and Profiles (Alphacan). Its activities are integrated from brine electrolysis to PVC processing.

The markets for Vinyl Products are highly sensitive to business cycles. Moreover, Chlorochemicals labors under sector-specific upstream constraints including high energy costs and lackluster growth in the European market.

High ethylene prices, which peaked in the third quarter of 2008, and a fourth-quarter drop in PVC demand adversely affected the segment's results. The deterioration caused by the economic environment was partially offset by ongoing measures to reduce fixed costs and optimize variable costs. New restructuring plans were announced for the Saint-Auban and Jarrie facilities in France and for Alphacan and Resinoplast in the PVC downstream.

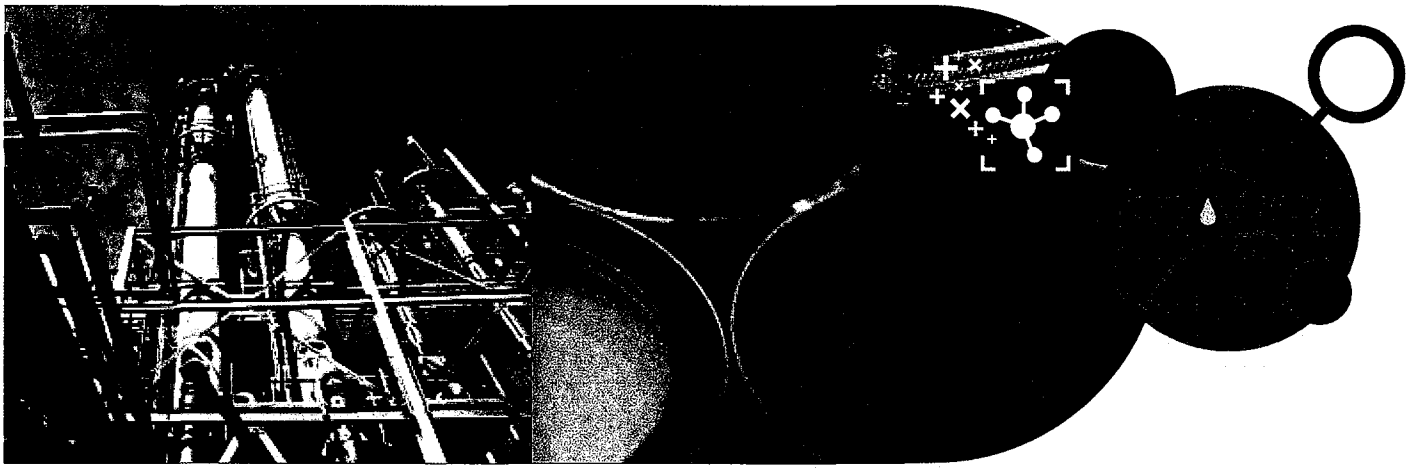
Industrial Chemicals

Arkema is a global leader in Industrial Chemicals, which accounts for nearly half of our sales and consists of six business units that produce intermediates: Acrylics, Specialty Acrylic Polymers (Coatex), PMMA and Methacrylics, Thiochemicals, Fluorochemicals and Hydrogen Peroxide.

We have production units in Europe and North America for major products like acrylic acid, specialty acrylic polymers, methyl methacrylate, PMMA, fluorochemicals, hydrogen peroxide and sulfur derivatives. We also have extensive operations in Asia, including local production facilities for fluorochemicals, hydrogen peroxide and PMMA.

We will continue to expand our global positions through new plants in Asia, targeted debottlenecking in Europe and North America, and joint ventures with our leading partners.

The segment's high quality portfolio delivered a significant increase in earnings, despite an



unfavorable economic environment and an automotive industry slowdown that strongly affected PMMA volumes in the fourth quarter. Expanded capacity in thiochemicals and fluorochemicals proved beneficial. The successful integration of Coatex helped reduce cyclical tendencies. All contributed to the entire segment's very robust performance in 2008.

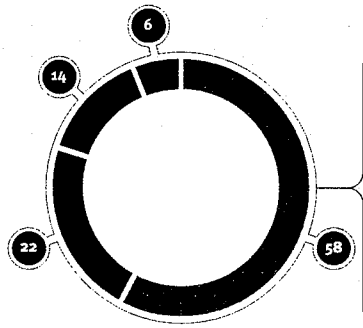
Performance Products

Performance Products' three business units — Technical Polymers, Specialty Chemicals (CECA) and Functional Additives — bring expertise and presence to their respective markets, allowing each to offer technical solutions tailored to specific customer requirements. This segment, which accounts for roughly one-third of Arkema's sales, holds world-class positions in several niche markets, especially polyamides, PVDF, molecular sieves, PVC process aids and organic peroxides.

Offering a portfolio of internationally recognized brands, Performance Products provides high-performance, innovative solutions; develops new, high value-added products; and maintains quality customer relationships.

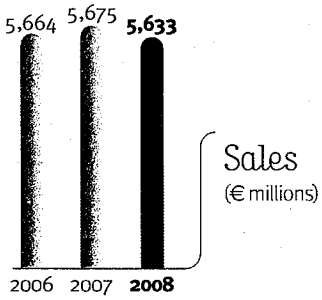
New applications, particularly in photovoltaic cells, and cost reductions offset the impact of the U.S. dollar/euro exchange rate and a collapse in overall market demand in the fourth quarter.

2008 key figures

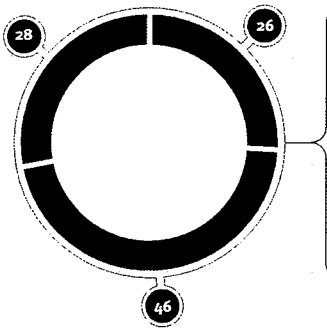


Sales
by region

- Europe **58%**
- North and South America **22%**
- Asia **14%**
- Rest of the World **6%**

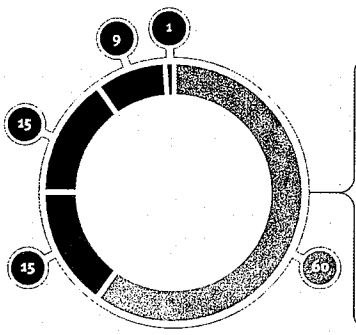


Sales
(€ millions)



Sales
by business segment

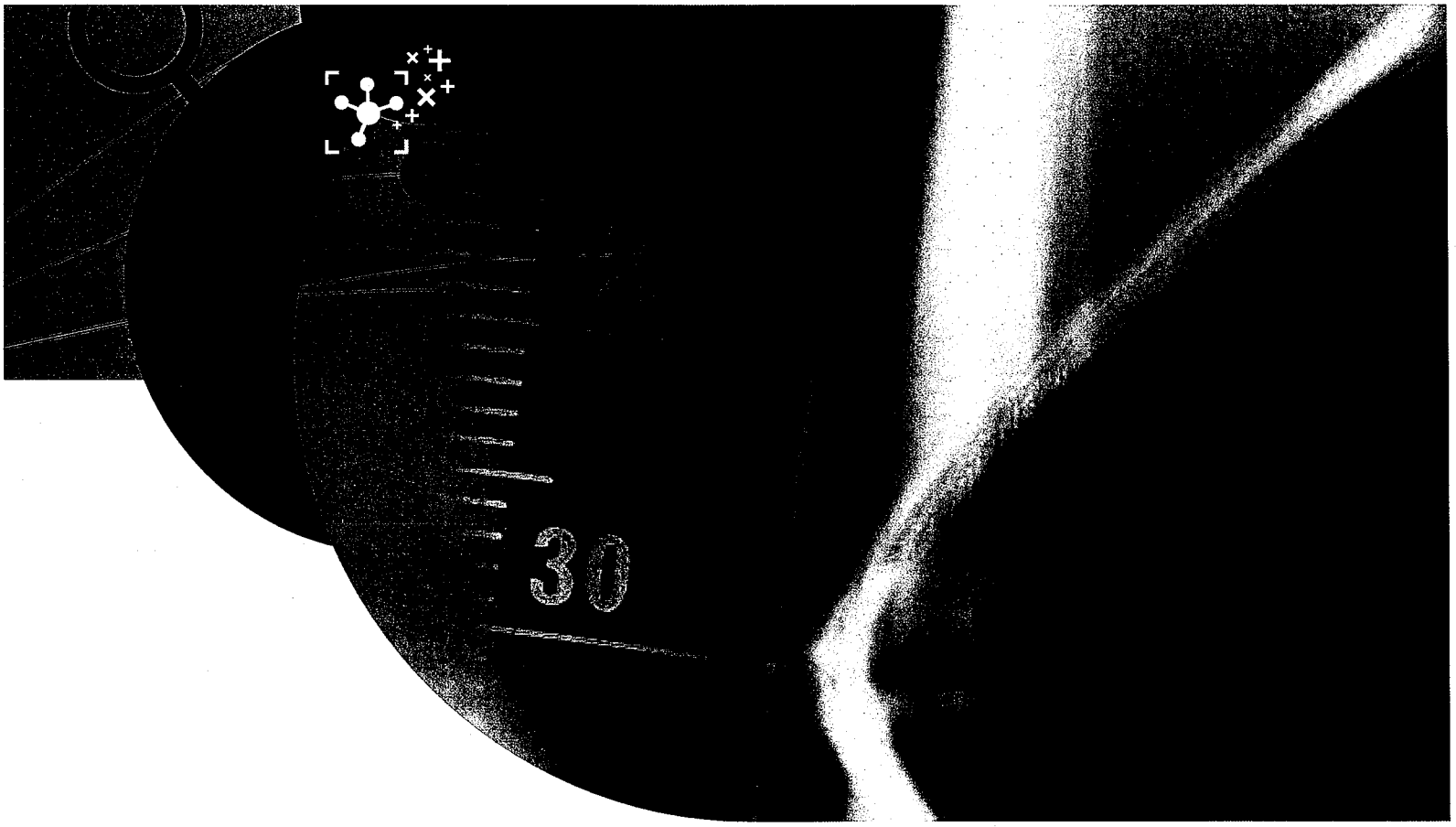
- Vinyl Products **26%**
- Industrial Chemicals **46%**
- Performance Products **28%**

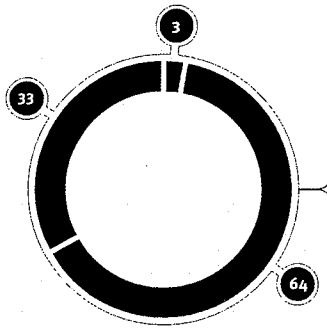


Workforce
by region

- France **60%**
- Europe (excluding France) **15%**
- North America **15%**
- Asia **9%**
- Rest of the World **1%**

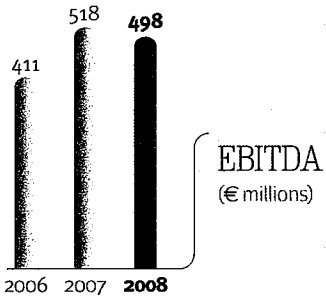
France's leading chemical producer, with global reach
- **80 production plants:**
50 in Europe
20 in North America
and 10 in Asia
- **14,983 employees**
- **6 R&D centers —**
4 in France
1 in the United States
and 1 in Japan



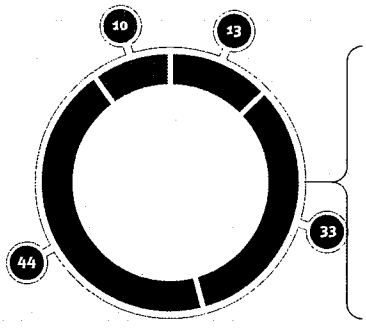


EBITDA
by business segment

- Vinyl Products **3%**
- Industrial Chemicals **64%**
- Performance Products **33%**

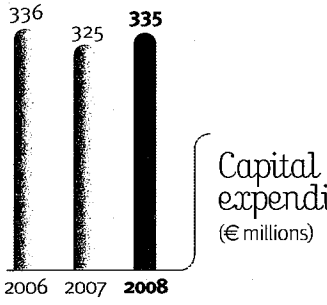


EBITDA
(€ millions)



R&D spending
more than 2.5% of sales

- Vinyl Products **13%**
- Industrial Chemicals **33%**
- Performance Products **44%**
- Corporate disruptive projects **10%**



Capital expenditure
(€ millions)

Preparing for the future through ongoing transformation

Despite the extremely challenging economic environment, Arkema's solid 2008 results confirm the soundness of our strategy, which was set at the time of our creation: improving competitiveness by reducing costs, putting the accent on product innovation geared toward ultra-high-performance materials and sustainable development, adjusting our portfolio of activities, and implementing selective growth projects, particularly in Asia.

Staying focused on improving competitiveness

In 2007, we announced that we intended to reduce fixed costs by €500 million to improve EBITDA by €200 million by 2010, compared to 2005. In response to the severe deterioration in the economic environment in the fourth quarter of 2008, we immediately introduced special measures to adjust our production base to weaker demand and implemented a program to reduce costs by a further €50 million by 2010.

In just three years, we have already substantially narrowed the competitiveness gap with our main rivals, particularly through comprehensive restructuring everywhere we operate. We intend to repeat this course of action whenever necessary to maintain our competitive strength.

Putting the accent on product innovation

Since there is no reason why the economic crisis should stifle innovation, we continue to allocate a large percentage of our R&D budget to long-term, disruptive research. Over the next five years, we expect a growing portfolio of products developed through innovation will generate additional annual sales of around €400 million.

We have set sales targets of some €250 million from ultra-high-performance materials and almost €150 million from sustainable development solutions built on very high value-added product lines.

Materials for photovoltaic power generation, next-generation fluorocarbon gases for air conditioning, ultra-high-performance polyamides, petroleum additives and glass coatings are just a few of the recently created products that are already yielding benefits.

Adjusting our portfolio of activities

Although our 2009 priorities will shift to cash management and cash generation, we plan, over the intermediate term, to continually transform our portfolio through small and mid-sized acquisitions. Our focus will be to add higher value-added businesses that strengthen our top-tier positions while maintaining a healthy balance sheet.

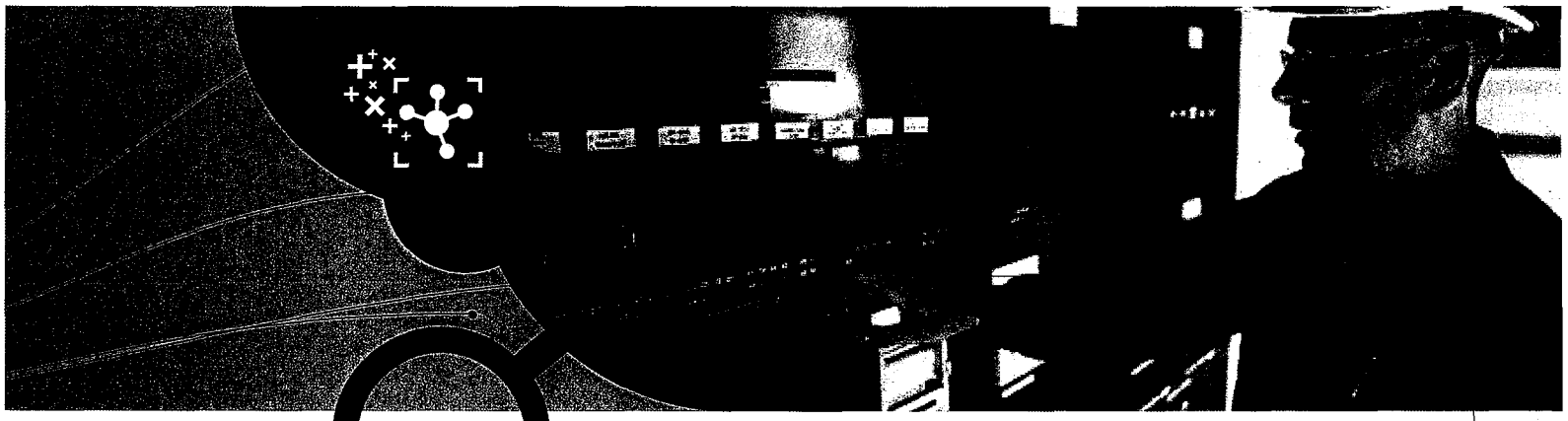
At the time of the 2006 IPO, we announced that we would be divesting assets worth some €300 million to €400 million over a three-year period and were planning selective acquisitions totaling some €500 million to €800 million in terms of annual sales. These transactions would be designed to adjust our portfolio and make it more resistant to industry cycles.

Our primary divestments, such as Cerexagri and our urea formaldehyde resins business, involved operations far removed from our core businesses, while our acquisitions — of Coatex in the acrylics downstream, Odor-Tech in thiochemicals in the U.S. and Repsol's PMMA business — are fully aligned with our best product lines and create a number of synergies.

As of December 31, 2008, we had divested assets generating more than €400 million in sales, against roughly €230 million for the businesses acquired. Although our portfolio adjustments pared some €200 million from our sales figures, they had a positive full-year impact of €30 million on EBITDA.

Capitalizing on our best product lines

Since the IPO, we have completed or launched several selective growth projects involving our most efficient facilities in Europe and North America, in addition to expanding our presence in Asia. For instance, significant



capital expenditures have boosted the fluorochemicals business in the United States and the thiochemicals business in France.
We also plan to step up the pace of development in Asia by intensifying capital spending. Fluorocarbon gas and PVDF projects at the Changshu production hub in China have recently been approved. Our ultimate goal is for the region to account for 20% of our overall sales in 2012.

A transformation strategy already bearing fruit

In our short, four-year history, we have remade ourselves into a much more robust company far better equipped to deal with economic ups and downs. Our reinvention has produced a very positive change in EBITDA margin, which increased from 6.2% in 2006 to 8.8% in 2008, enabling us to maintain a very healthy balance sheet.
A willingness to juggle both day-to-day operational management and longer-term projects is a core component of our strategy.

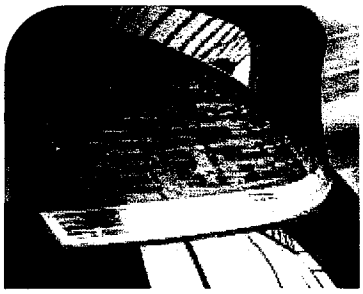
Changshu, a competitive, growing production hub and our third-biggest site by 2011

Recent investments, particularly in Forane® 22, organic peroxides and polyamides, make our Changshu production hub near Shanghai an obvious springboard for further development in China. Changshu will soon be home to two new fluorochemical production units to boost Arkema's leadership in this niche. A unit to manufacture HFC-125 unit, an essential component in next-generation refrigerant blends, will be built in a joint venture with Japan's Daikin. It will be the leading refrigerant producer in the Asia-Pacific region. The second unit will manufacture Kynar® PVDF (polyvinylidene fluoride), a high-performance technical polymer.

2008 highlights

February 7, 2008 ▸ Arkema restructures its Human Resources and Accounting functions and restructured through the creation of two shared service centers (SSC).

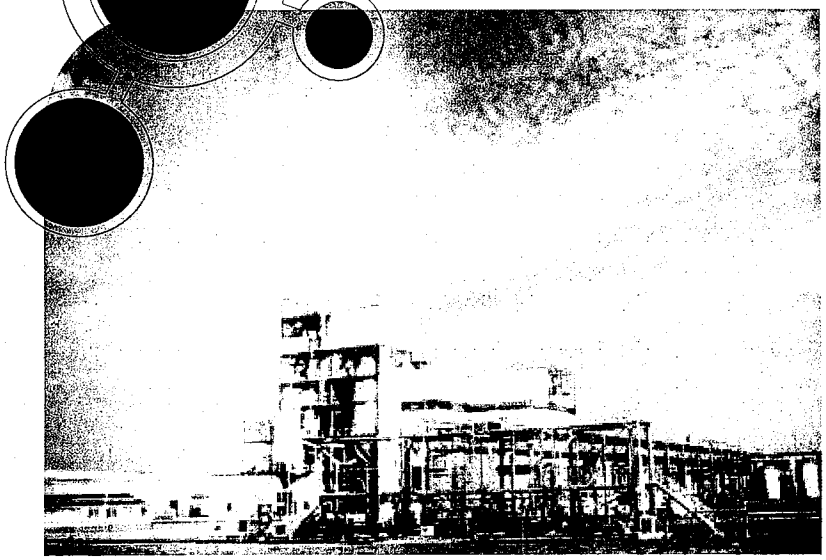
The Human Resources SSC provides recruiting, promotion and training support to production sites, while the Accounting SSC handles payables, financial and management accounting.



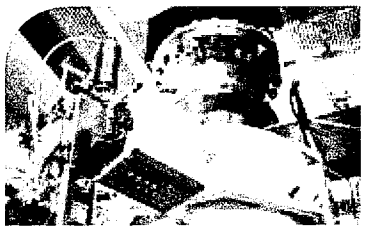
February 29, 2008 ▸ Arkema finalizes the acquisition of Repsol YPF's PMMA business and bolsters its leadership position in the PMMA sheet market in Europe.

April 30, 2008 ▸ Arkema's worldwide employee issue is a success.

Some 4,000 employees from 19 countries purchased a total of 618,462 shares, doubling employee ownership of Arkema S.A. to just over 3%.



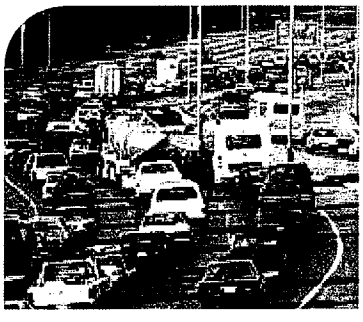
April 9, 2008 ▸ Arkema restructures production of functional additives for PVC manufacturing. Manufacturing operations are transferred from the Axis site in Alabama to the Vlissingen plant in the Netherlands, concentrating the global production of Clearstrength® impact modifiers at a single European facility.



June 4, 2008 ▸ Arkema's nanostructured materials are at the heart of the Genesis research program, as the company and 16 other partners join forces to develop a nanostructured materials industry in six high-technology European Union markets: automotive components, energy storage, cables, composites, conductive inks and the environment.

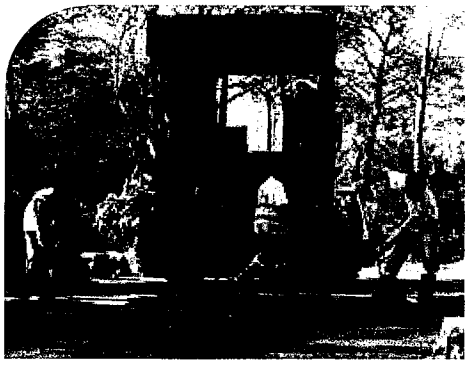
July 9, 2008 ▸ Arkema launches an industrial production project in the European Union to produce low-GWP* fluorinated gas for automotive air-conditioning. Looking ahead to stricter environmental standards, the plan involves investing in production of R1234yf, a fourth-generation substitute for HFC134a.

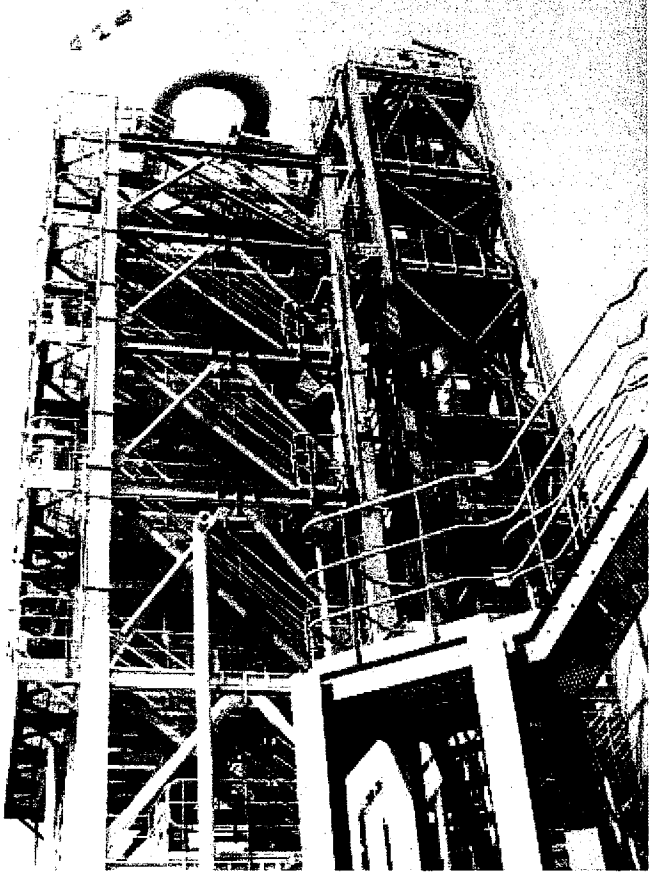
*Global Warming Potential.



July 24, 2008 ▶

With sales of nearly $8 million in 2007, the business strengthens Arkema's position in the North American odorants market.



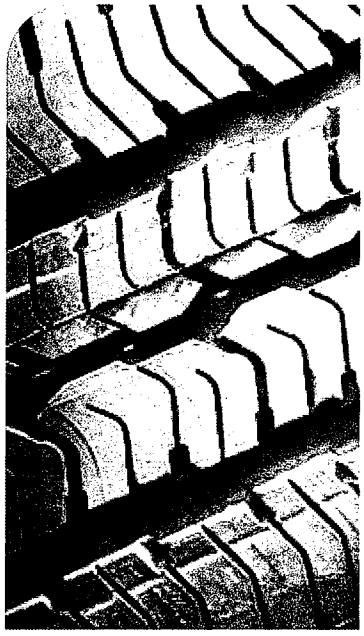


October 21, 2008 ▶ Arkema doubles production capacity at its Shanghai hydrogen peroxide plant to 80,000 metric tons per year. The capacity extension is successfully commissioned, strengthening Arkema's leadership in Asia.

September 8, 2008 ▶ CECA obtains a Global Road Achievement Award from the International Road Federation for Cecabase® RT, its new additive for warm mix asphalts. This solution reduces carbon dioxide, carbon monoxide and nitrogen oxide emissions by 35% and dust emissions by 90% compared with conventional technologies.

December 10, 2008 ▶ Arkema acquires U.S.-based GEO Specialty Chemicals' organic peroxide business. The company is building a solid organic peroxide manufacturing base in the United States to broaden its access to the North American market.

December 2, 2008 ▶ Arkema completes the registration of all its substances covered by the E.U. REACH regulation.



November 26, 2008 ▶ Arkema further enhances the competitiveness of its Vinyl Products segment. The sharp deterioration in the economic environment of the segment's businesses necessitates changes that include shutting down aluminum chloride operations at the Jarrie plant and vinyl chloride/vinyl acetate copolymer production at the Saint-Auban facility, both in France, and reorganizing European PVC downstream operations at Alphacan and Resinoplast.

December 12, 2008 ▶ Arkema and the Aquitaine Regional Council join CANOE *(Consortium Aquitain d'Innovation Nanomatériaux et Électronique Organique)*, technology hub in southwestern France that will help accelerate the emergence of a fully integrated nanostructured materials sector in Europe, from raw materials through finished products.

Solid results in 2008

In a tough economic environment marked by the collapse in demand in many markets in the fourth quarter 2008, Arkema resisted well, achieving an EBITDA margin close to that in 2007 at 9% and generating a positive net income of €100 million.

Key indicators

(€ millions)	2007	**2008**
Sales	5,675	**5,633**
EBITDA	518	**498**
EBITDA margin	9.1%	**8.8%**
Recurring operating income	293	**250**
Net income - Group share	122	**100**
Capital employed	3,263	**3,370**
Net debt	459	**495**
Dividend per share	€0.75	**€0.60**

An 8.8% EBITDA margin, close to that in 2007

In 2008, Arkema continued its transformation that began with its spin-off in 2006 by further reducing its break-even point and driving targeted growth in its high-value-added product lines. These internal measures enabled Arkema to better resist to the strong deterioration in the economic environment in the fourth quarter 2008.

In 2008 sales totaled €5,633 million, versus €5,675 million in 2007. Excluding the translation effect mainly related to the weakness of the U.S. dollar compared to the euro in 2008 (-2.4%) and the limited effect of changes in the scope of business (-0.5%), sales were up 2.2%. The very significant increase in average selling prices across all the Group's businesses (+8.1%) offset the 5.9% decrease in volumes caused mainly by the sharp decline in demand in many market segments in the fourth quarter 2008, amplified by massive de-stocking by customers.

EBITDA amounted to €498 million in 2008, versus €518 million in 2007, in a very deteriorated economic environment. It includes €23 million negative inventory adjustments relating to the sharp decrease of some raw material costs at the very end of the year, and a negative €17 million relating to the translation effect on foreign exchange rates. An EBITDA gain of €111 million was achieved through productivity initiatives, very tight control of overheads, the launch of new products and the industrial growth developments in Fluorochemicals, Thiochemicals and Specialty Chemicals, which offset, to a great extent, the decline in demand, the strong increase in energy and raw material costs, and low acrylics unit margins.

EBITDA margin resisted well at 8.8% of sales, against 9.1% in 2007 and 7.3% in 2006.

Recurring operating income was €250 million in 2008, versus €293 million in 2007, and included €248 million in depreciation and amortization, up €23 million from 2007.

Net income — Group share stood at €100 million in 2008, versus €122 million in 2007. The annual general meeting on June 15, 2009 will be proposed to approve a dividend of €0.60 per share in respect of 2008, in line with the evolution of the results. This dividend will thus enable Arkema's shareholders to take part in the Group's transformation.

Contrasted impact by segment of decline demand

Vinyl Products

(€ millions)	2007	**2008**
Sales	1,418	**1,443**
EBITDA	90	**14**
Recurring operating income	65	**(25)**

Vinyl Products' sales rose 1.8% to €1,443 million. The increase in average selling prices and good demand for caustic soda compensated for the decrease in PVC volumes resulting from the deterioration, in the 4th quarter, in demand from the construction sector, amplified by massive de-stocking by customers.

EBITDA totaled €14 million. The very sharp and continuous rise in ethylene prices, which peaked in the 3rd quarter 2008, weighed heavily on the segment's results, as the rise in average selling price did not compensate for the very high raw material costs. In addition, the decrease in PVC volumes and selling price in the 4th quarter strongly affected the segment's results. Measures to reduce fixed costs and optimize variable costs were continued and partially compensated for the very negative impact of the economic environment.

Industrial Chemicals

(€ millions)	2007	**2008**
Sales	2,529	**2,582**
EBITDA	289	**341**
Recurring operating income	178	**218**

Industrial Chemicals' sales were up 2.1% to €2,582 million. The rise in average selling prices in all the segment's business units, together with the positive effect of a change in the scope of business due mainly to the acquisition of Coatex in October 2007, both offset the impact on volumes of the sharp decline in demand in some sectors such as automotive and the negative impact of the U.S. dollar-euro exchange rate.

EBITDA rose 18% to €341 million, despite bottom-of-cycle unit margins in acrylics and a slowdown in the automotive industry, which strongly affected PMMA volumes in the fourth quarter. This very strong improvement demonstrates the quality of the segment's business portfolio. Restructuring plans launched in the last three years, new product development projects and the successful integration of Coatex have contributed significantly to growth in EBITDA.

EBITDA margin improved sharply, standing at 13.2%, against 11.4% in 2007 and 10.7% in 2006.

Performance Products

(€ millions)	2007	**2008**
Sales	1,723	**1,602**
EBITDA	184	**177**
Recurring operating income	97	**92**

Performance Products' sales totaled €1,602 million, against €1,723 million in 2007. The decrease mainly resulted from the negative effect of changes in the scope of business following the divestment of the urea formaldehyde resin business in November 2007, the unfavorable U.S. dollar-euro exchange rate and the slowdown in demand, especially in U.S. construction, which weighed strongly on Functional Additives' volumes.

EBITDA amounted to €177 million, up 2.9%, excluding the effect of changes in the scope of business. The development of new applications such as PVDF in the solar photovoltaic market and molecular sieves, together with restructuring plans in Functional Additives and Polyamides, contributed to improve EBITDA despite a negative foreign currency effect and the collapse in demand in several market segments in the fourth quarter.

EBITDA margin increased to 11%, against 10.7% in 2007 and 8.7% in 2006.

Cash generation: a top priority

Cash flow from operations and investments generated in 2008 amounted to -€11 million, against -€94 million in 2007. This includes a -€25 million net outflow from portfolio management finalized in 2008 and a -€54 million outflow from non-recurring pre-spin-off[1] items. After adjustment for both these items, free cash flow was positive and amounted to €68 million.

Since the fourth quarter 2008, the priority placed on cash generation has been reinforced with a very strict working capital and capital expenditures management. The net cash flow from operations and investments includes:

- capital expenditures in operating tangible and intangible assets of €301 million in 2008, lower than the €315 million initially targeted. These capital expenditures concerned in particular plant start-ups in 2008, including the doubling of the hydrogen peroxide production capacity at Shanghai, China, and the growth projects being implemented, such as construction of a plant to produce a new fluorocarbon gas, HFC-125, in partnership with Daikin in Changshu, China. The total capital expenditures of €335 million also includes finalization of the Chlorochemicals plan launched in 2005 and acquisitions of assets;
- a positive change in working capital, which stood at €56 million.

A very solid balance sheet

Thanks to continued tight management, working capital decreased to €1,055 million at December 31, 2008, bringing the working capital-to-sales ratio to 18.7%, against 19.3% in 2007, in line with the target of 18% in 2010.

Net debt stood at €495 million on December 31, 2008, against €459 million in 2007, giving a net-debt-to-EBITDA ratio of 1. The debt-to-equity ratio remained low at 25%. Arkema thus demonstrates its ability to maintain a high-quality, solid balance sheet despite deteriorating economic conditions. More generally, most of the group's financing is secured through a syndicated credit facility, for a maximum of €1.1 billion, which has been rolled over through March 31, 2013. At December 31, 2008, €410 million of this credit facility had been drawn down.

(1) Non-recurring pre-spin-off items include a number of special items treated as debt and therefore taken into account when calculating theoretical financial debt at the time of spin-off.

Shareholder notebook

Since our May 2006 IPO, Arkema has been committed to providing individual and institutional shareholders with reliable information in a context of close contact and transparent dialogue. Included among the many opportunities to meet investors during 2008 were the second Annual Shareholders' Meeting, new Investor Days and the first full year of the Arkema Shareholders' Club.

Highlight of the year, the Annual Shareholders' Meeting

Our second Annual Shareholders' Meeting was held on May 20, 2008 and attended by more than 700 shareholders. Chairman and CEO Thierry Le Hénaff reviewed our businesses, performance, transformation and outlook. Shareholders approved all the resolutions put forward by the Board of Directors at the Meeting.

Outreach

In France, Arkema reaches out to individual shareholders by holding a number of information meetings outside Paris. In 2008, we met almost 1,500 people in Lyon, Marseille, Lille, Nantes and Bordeaux. For 2009, meetings are already planned for Lyon, Lille and Marseille. We also take part in the Actionaria investor fair every year, and in 2008 welcomed more than 1,000 visitors to our stand, where they tested their innovation and sustainable development knowledge through our interactive quizzes. In addition, Thierry Le Hénaff spoke at the CEO Forum.

Our Investor Days on September 22 and 23, 2008 attracted more than 40 financial analysts and institutional investors. All were brought up to date on the far-reaching changes taking place at Arkema and given a tour of the Coatex plant and R&D center in France.

The event was followed by roadshows in Paris, London, Frankfurt and Geneva in Europe and in New York, Boston, Chicago and San Francisco in the United States. Thierry Le Hénaff, Chairman and CEO, Thierry Lemonnier, Chief Financial Officer, and Bernard Boyer, Executive Vice-President, Strategy, met with investors during the roadshow tour. A similar roadshow was held when our annual results were released.

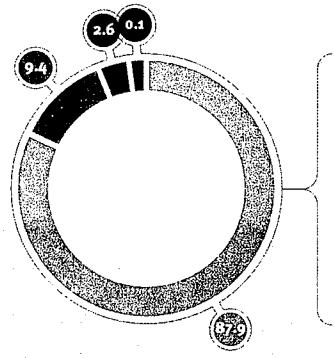
In addition, Arkema participated in various press conferences in Paris, Zurich, London and New York. Quarterly results were the subject of individual news releases, presentations and conference calls.

The materials related to these events are available at www.finance.arkema.com.

Fact sheet for the Arkema share

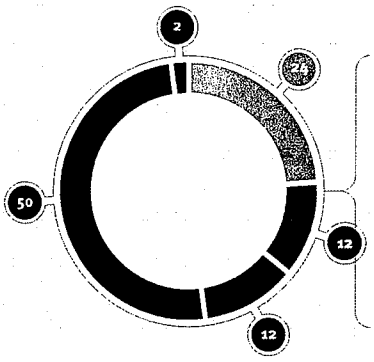
- IPO: May 18, 2006
- Market capitalization on Dec. 31, 2008: €741 million
- Number of shares on Dec. 31, 2008: 60,454,973
- Par value: €10
- Free float: 100%
- Listed on: Euronext (Paris) stock exchange
- Indexes: SBF 120, CAC MID 100, DJ Euro STOXX Chemicals
- Sectorial classification: Sector: 1350, Chemicals – Subsector: 1353, Commodity Chemicals
- ISIN code: FR0010313833
- Ticker symbol: AKE
- Bloomberg symbol: AKE FP
- Reuters symbol: AKE.PA
- Eligible for the Deferred Settlement Service (SRD) and French equity savings plans (PEA)
- Registrar: BNP Paribas Securities Services
GCT Emetteurs - Immeuble Tolbiac
75450 Paris Cedex 09, France
Toll-free number: 0 800 115 153 (France only)
E-mail: arkema-actionnaires@bnpparibas.com

Shareholder base



Share capital by type of investor
(% of share capital)

- Institutional shareholders **87.9%**
- Individual shareholders **9.4%**
- Employee shareholders **2.6%**
- Treasury shares **0.1%**



Shareholder base by region

- France **24%**
- United Kingdom **12%**
- Rest of Europe **12%**
- North America **50%**
- Rest of the World **2%**

Situation at December 31, 2008

Communication resources

Our shareholders have access to an Investor Relations section on our website, a 24/7 toll-free number in France and various publications. They can request the Registration Document, a share registration form, the Annual and Sustainable Development Report, the corporate brochure, the Shareholders' Club calendar and the Shareholder Newsletter at any time. We also keep our shareholders informed through the print media by publishing regular financial notices.

Club des Actionnaires ARKEMA

Shareholders' Club

Individual shareholders with at least five registered or 25 bearer shares can join the Arkema Shareholders' Club free of charge. Its main purpose is to familiarize investors with Arkema and help them to understand our organization and what we do, especially through site tours. The Club celebrated its first anniversary in November 2008. We met nearly a hundred shareholders at events held every other month, including conferences, site tours and first aid classes.

The following Club events are scheduled for the first half of 2009:

- February 5, 2009: Tour of the Fos-sur-Mer plant in southern France.
- March 25, 2009: First aid classes (French Red Cross).
- June 23, 2009: Tour of the Lannemezan plant in southwestern France.

2009 calendar

March 5, 2009 – Release of 2008 results
April 27, 2009 – Shareholder information meeting in Lyon
May 13, 2009 – Release of first-quarter 2009 results
June 15, 2009 – Annual Shareholders' Meeting in Paris
June 18, 2009 – Shareholder information meeting in Lille
August 3, 2009 – Release of interim 2009 results
November 10, 2009 – Release of third-quarter 2009 results
November 20-21, 2009 – *Salon Actionaria* investor fair in Paris
Date to be confirmed – Shareholder information meeting in Marseille

Recognition

Our investor relations initiatives earned us first place in the CAC MID100 category for Best Individual Shareholder Relations at the *Fils d'Or* awards, held on October 14, 2008 and organized by *La Vie Financière* magazine, business daily *Les Echos* in partnership with Synerfil. The award recognizes the quality of shareholder relations at major French and euro-zone companies and is based on such criteria as responsiveness, reliability and user-friendliness.
Arkema was also a winner in Swiss daily *Agefi's* 2008 Corporate Governance Awards, taking second prize in the Investor Relations Quality and Transparency category. The award recognizes the breadth, quality and accessibility of our investor information and the responsiveness and availability of our management.

Contacts

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• Telephone: +33 (0)1 49 00 74 63
• Fax: +33 (0)1 49 00 50 24
• www.finance.arkema.com

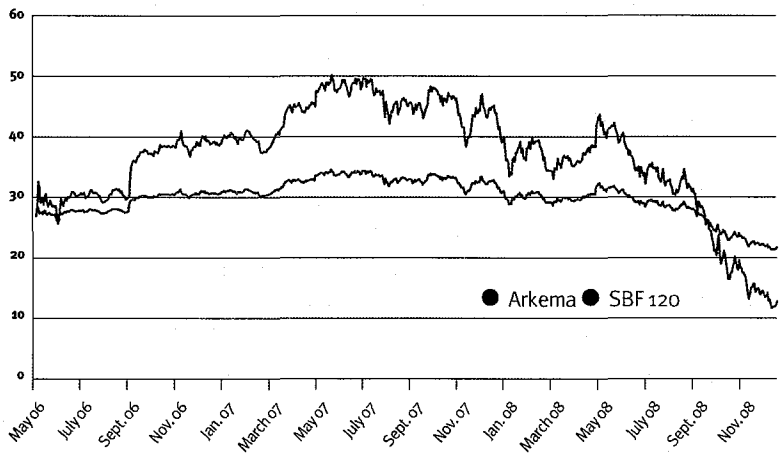
Individual shareholders:
• E-mail: actionnaires-individuels@arkema.com
• 24/7 toll-free number:
Toll-free number 0 800 01 00 01 (France only)

24/7: real-time share price, financial calendar, news and financial information.
An individual shareholder advisor is available Monday to Friday, from 9:00 a.m. to 12:30 p.m. and 1:30 to 5:00 p.m.

Institutional shareholders:
• investor-relations@arkema.com

Share performance since IPO

Arkema share performance versus the SBF 120



IPO price: €27.50
Price on Dec. 31, 2008: €12.25
High: €50.88
Low: €10.93
Performance since IPO on May 18, 2006:
Arkema: down 55.45% at December 31, 2008
SBF 120: down 35.28%
Average daily traded volume in 2008: €11 million

Share price (in euros) and change (%)

	2006*	2007	2008
Arkema			
High	41.45	50.88	45.75
Low	24.94	36.35	10.93
Most recent price (closing)	38.93	44.94	12.25
Annual change	+41.56%	+15.44%	-72.74%
SBF 120			
Annual change	+13.32%	+0.34%	-43.08%

*Since IPO on 18 May 2006.

A dividend of €0.60 per share

Arkema shareholders also stand to benefit from our improved results. Shareholders at the Annual Shareholder's Meeting on June 15, 2009 will be asked to approve a dividend of €0.60 per share for fiscal year 2008, to be paid on June 15, 2009, in line with changes in our results. We plan to continue paying a dividend, the amount dependent on Arkema's financial performance.

Corporate governance

In a complex, uncertain economic environment, companies must pay increased attention to upholding principles of corporate governance, especially those relating to director independence, transparent information and respect for shareholders' rights. Around the world, the rules of governance involve three levels of oversight: shareholders, who at Annual Shareholders' Meetings empower a Board of Directors (or Supervisory Board), which in turn oversees senior executives involved in day-to-day management.

Regulations that conform to AFEP/MEDEF recommendations

Since its creation, Arkema has introduced governance measures, including the Board of Directors' internal rules, that comply with the recommendations of French employers' association AFEP/MEDEF. On November 12, 2008, the Board of Directors voted to adopt the AFEP/MEDEF Code of Corporate Governance as a guideline, noting that the company had already implemented many of its principles, including evaluation of the Board of Directors, directors' independence and prohibiting employment contracts for corporate officers.

Arkema's organization comprises an eight-member Executive Committee responsible for executive management of the company, and a Board of Directors, established at the time of the 2006 IPO, that determines the company's strategic vision and ensures its implementation. In 2006, the Board of Directors voted to combine the roles of Chairman of the Board and Chief Executive Officer and appointed Thierry Le Hénaff to this dual role for the duration of his term as director. Given Arkema's organization into business segments and functional divisions, the Board's decision to combine these offices is proving effective for ensuring efficient coordination within the Group.

A majority of independent directors

The Board of Directors comprises eight directors (Thierry Le Hénaff, François Enaud, Bernard Kasriel, Laurent Mignon, Thierry Morin, Jean Pierre Seeuws, Tidjane Thiam and Philippe Vassor), six of whom are deemed independent under the criteria specified in the Board of Directors' bylaws, which comply with the AFEP/MEDEF recommendations. The Board of Directors determines who qualifies as an independent director, based on Appointments and Compensation Committee proposals. An independent director is one who, other than his position on the Board, has no relationship whatsoever with the company, its group or its management.

Accordingly, the January 20, 2009 Board of Directors meeting ruled, based on a proposal from the Appointments and Compensation Committee, that François Enaud, Bernard Kasriel, Thierry Morin, Laurent Mignon, Tidjane Thiam and Philippe Vassor are independent directors.

The Board of Directors met five times in 2008. The average attendance was 87.5%.

Board of Directors' committees

The Board of Directors created two standing committees in 2006, the Audit and Accounts Committee and the Appointments and Compensation Committee.

The Audit and Accounts Committee is comprised of Philippe Vassor (Chairman), Jean-Pierre Seeuws and Laurent Mignon, giving it two independent directors including the Chairman. Thierry Lemonnier, Arkema's Chief Financial Officer, is the Committee's secretary.

The Committee met five times in 2008 and reported on its work to the Board of Directors. The average attendance was 86.6%.

The Committee's work during the fiscal year focused primarily on examining the annual, interim and quarterly financial statements, ensuring effective internal control procedures, reviewing internal and external auditing programs and audit results, and monitoring developments in Arkema's main legal and arbitration proceedings.

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

This committee met three times in 2008 and reported on its work to the Board of Directors. Attendance was 100%.

Board of Directors
Left to right, front row:
Messrs. Laurent Mignon,
Thierry Le Hénaff,
Jean-Pierre Seeuws;
back row:
Messrs. Thierry Morin,
Bernard Kasriel,
Tidjane Thiam,
François Enaud,
Philippe Vassor.

The committee's work focused primarily on reviewing the compensation of company officers and Executive Committee members, examining the conditions governing a severance package for the Chairman and Chief Executive Officer if he were dismissed under the August 21, 2007 TEPA Act, setting up stock-option and performance-share plans, and reviewing plans for an employee-only share issue.

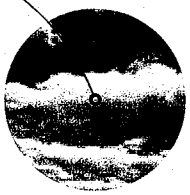
A Board of Directors with diversified, complementary experience

A joint study conducted in 2008 by InvestorSight and the *Institut Français des Administrateurs* (IFA) directors' association highlighted Arkema's governance best practices.

The study particularly stressed how effectively the Board of Directors operated and how well its members complemented one another. The Board's composition gave Arkema top-notch, diversified, complementary skills and experience, as per the corporate governance principles set forth by AFEP/MEDEF. Directors were selected with the assistance of an external consultant, and Thierry Le Hénaff had not met most of them prior to their first interview.

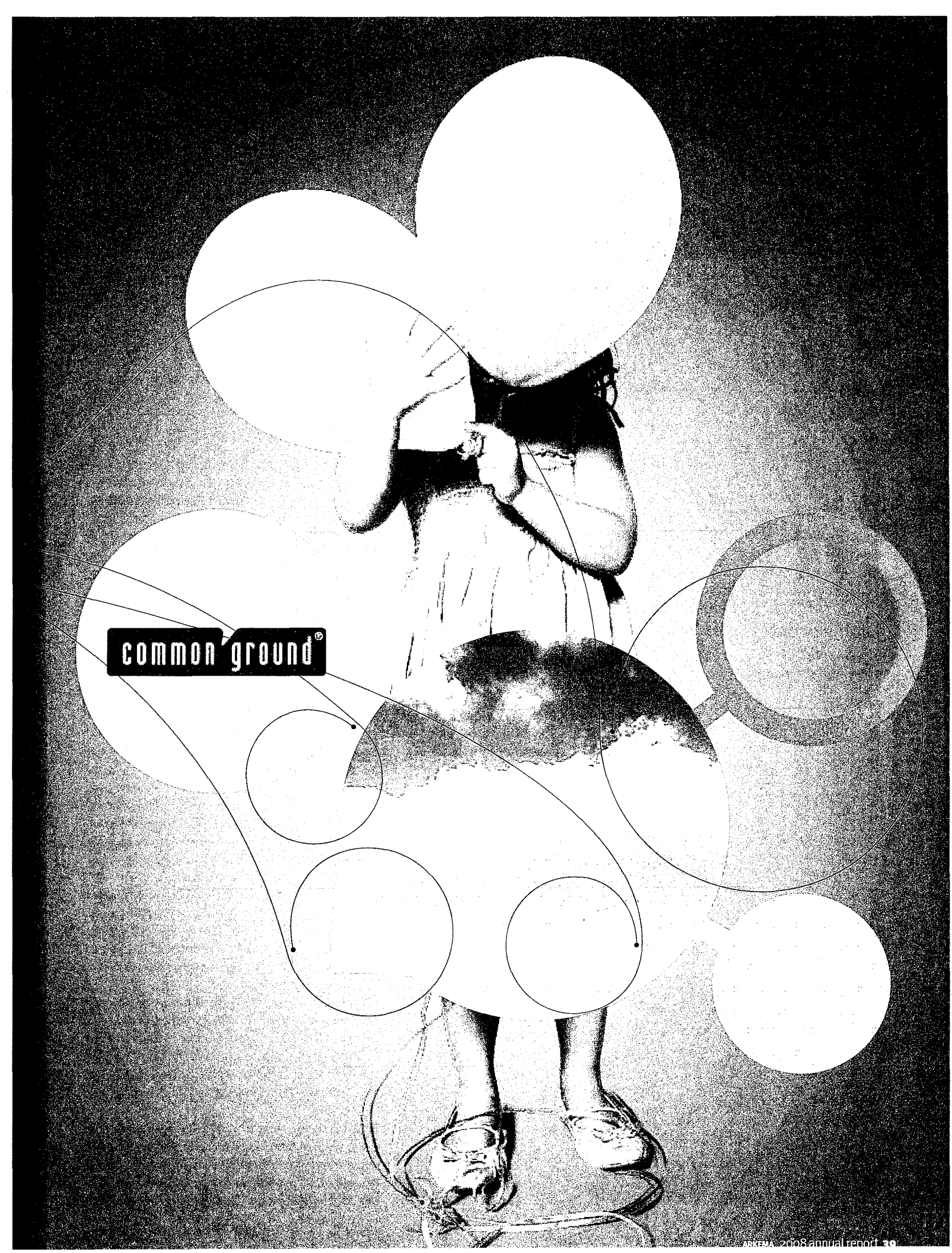
Special care is taken to forward information to members both in advance of and between Board meetings. Arkema considers the Annual Shareholders' Meeting less a legal requirement and more a prime opportunity to meet with shareholders and present results, the year's events and the work performed by the Board of Directors. To this end, all Committee chairmen reported on their committees' work at the 2008 meeting.

The Board of Directors has conducted self-assessments twice, in 2006 and 2007, using a questionnaire drawn up under the supervision of the Appointments and Compensation Committee. In 2008, an external consultant performed this evaluation. The evaluations provide guidance to the Board of Directors regarding any necessary changes in the way it operates.



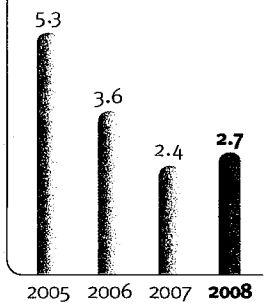
Interactions

Sharing ideas and information, comparing viewpoints, and forging partnerships among stakeholders working toward shared goals are the core drivers of change in today's world.
Since progress is meaningless unless it benefits the greatest possible number, we strive to be open to civil society in all its diversity, to manage risk and environmental impact, to act as a responsible steward of our products, and to promote employee dialogue.

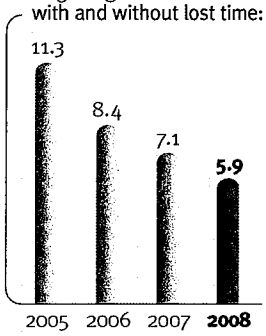

common ground®

Industrial safety

Lost time injury rate:



Total recordable injury rate, with and without lost time:



Risk management expertise and a dedicated organization.

A shared safety culture under the *Safety in Action* banner

Approved and promoted by Arkema's Executive Committee, our safety management process is defined at the corporate level and disseminated globally.

The process involves the deployment of safety management systems, targeted consulting and support initiatives, scheduled control audits, and the involvement of employees at all reporting levels within all businesses.

This ongoing initiative, cascaded worldwide under the *Safety in Action* banner, involves three fundamental, interlocking parts:

- A technical component that deals with risk prevention at our facilities and during hazardous materials transportation. It involves incorporating hazard prevention and protection measures during process planning, installation design, equipment selection and manufacturing procedure definition.
- A component concerned with the quality of operations, including the deployment of management systems tailored to the specific needs of each plant and analysis support resources that are frequently upgraded. Our safety management systems are regularly audited and certified by internal and external auditors, based on the International Safety Rating System (ISRS) and Arkema's own guidelines and recommendations.
- A human resources, behavioral component targeting everyone at our production plants, Arkema and contractor employees alike, because improving industrial safety performance fosters a shared safety culture.

A real-world, global process

Arkema deploys the *Safety in Action* program worldwide to provide our plants with practical tools that can be used by everyone to improve both personal and collective behavior:

- "Highlights" are quarterly scheduled meetings that allow teams at every facility to discuss safety. Each meeting features a short video based on a safety-related situation submitted by a facility team. in each video, the members of the team whose scenario was selected have perform as actors. The screening of these videos provides opportunities to analyze common workplace practices and involve employees in improving safety habits and eliminating unsafe behaviors.

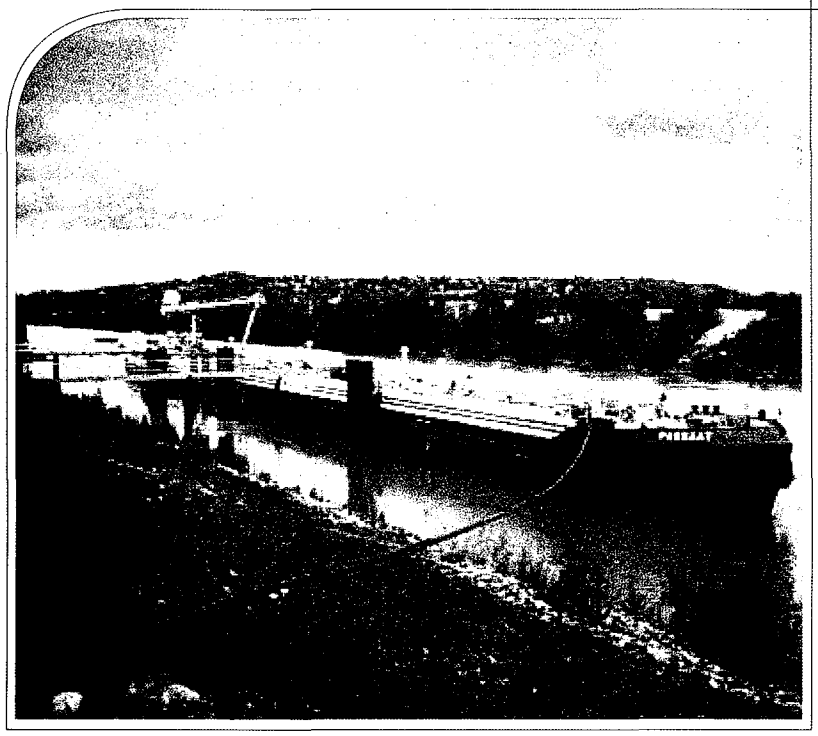
In 2008, "Highlights" topics included pedestrian safety at industrial sites in Hernani, Spain; carrying heavy loads in Honfleur, France; the importance of speaking up when instructions aren't understood at Bécancour in Canada; and the risks that can result from hurrying at Bernouville in France.

- All production facilities worldwide have an orientation procedure to inform visitors and carriers about Arkema's industrial safety standards and educate them about compliance with safety rules. We make sure they understand safety instructions by having them watch a video and pass a test about facility safety rules.

After improving more than 50% between 2005 and 2007, the lost time injury rate, encompassing both our own and contractor employees, inched up slightly in 2008, despite a further sharp decline in the total recordable injury rate. This gives us yet another

Technological risk prevention plans (PPRT)

Technological risk prevention plans manage land use around upper-tier Seveso industrial facilities. To help deploy PPRT effectively, Arkema's technical teams significantly expanded hazard studies at 19 sites required to introduce this type of plan. The team's work led to the creation of new methods of quantified risk analysis for managing plant operations.



reason to continue our safety initiatives and work harder toward becoming one of our industry's "best in class."

Protecting employee health

To safeguard employee health, Arkema has developed a tool to monitor individual exposure at workstations. Currently deployed at production facilities in France and the United States by occupational physicians together with HSE teams, the tool will be extended to other countries in mid-2009.

In September 2007, we rolled out our "No Drugs, No Alcohol" initiative to prevent substance abuse in the company. The initiative includes providing information to all employees, preparing specific prevention plans, and conducting regular assessments at all sites.

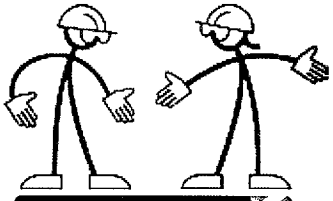
In the United States, Arkema Inc. conducts awareness campaigns to encourage wellness for all employees. The topics addressed are obesity, smoking, healthy eating habits and physical exercise.

We also strive to prevent stress, harassment and bullying at work and are working to quickly define measures applicable across Arkema. One particular focus is the introduction of a program to educate occupational physicians, human resources teams, management, and occupational health, safety and working conditions committees.

The same concern for product transportation safety

Arkema has a team of safety experts dedicated to identifying and minimizing the hazards associated with product transportation. In many cases, we transport by barge, which offers many logistics advantages, excellent safety conditions and lower environmental impact. The same dedication has made Arkema one of the main partners of Modalohr, a trans-Alpine rail service. We account for over 10% of the goods carried by Modalohr.

In addition, suppliers are required to undergo audits based on the rating system specific to each mode of transport: the Safety Quality Assessment System (SQAS) for road transportation, the Chemicals Distribution Institute (CDI) system for maritime transportation and the European Barge Inspection System (EBIS) for inland waterway transportation.



safety in action

Environmental stewardship

Reducing our environmental footprint, conserving energy and optimizing the use of natural resources.

Reclamation of a former settling basin at the Carling site

A basin used for past operations at the site was completely reclaimed over a period of several years, allowing it to be backfilled and planted over. Some 70,000 metric tons of sludge and sediment were removed and treated using appropriate methods. At the same time, the Carling site continued to reduce emissions by upgrading its secondary treatment plant and incinerating volatile organic compounds.

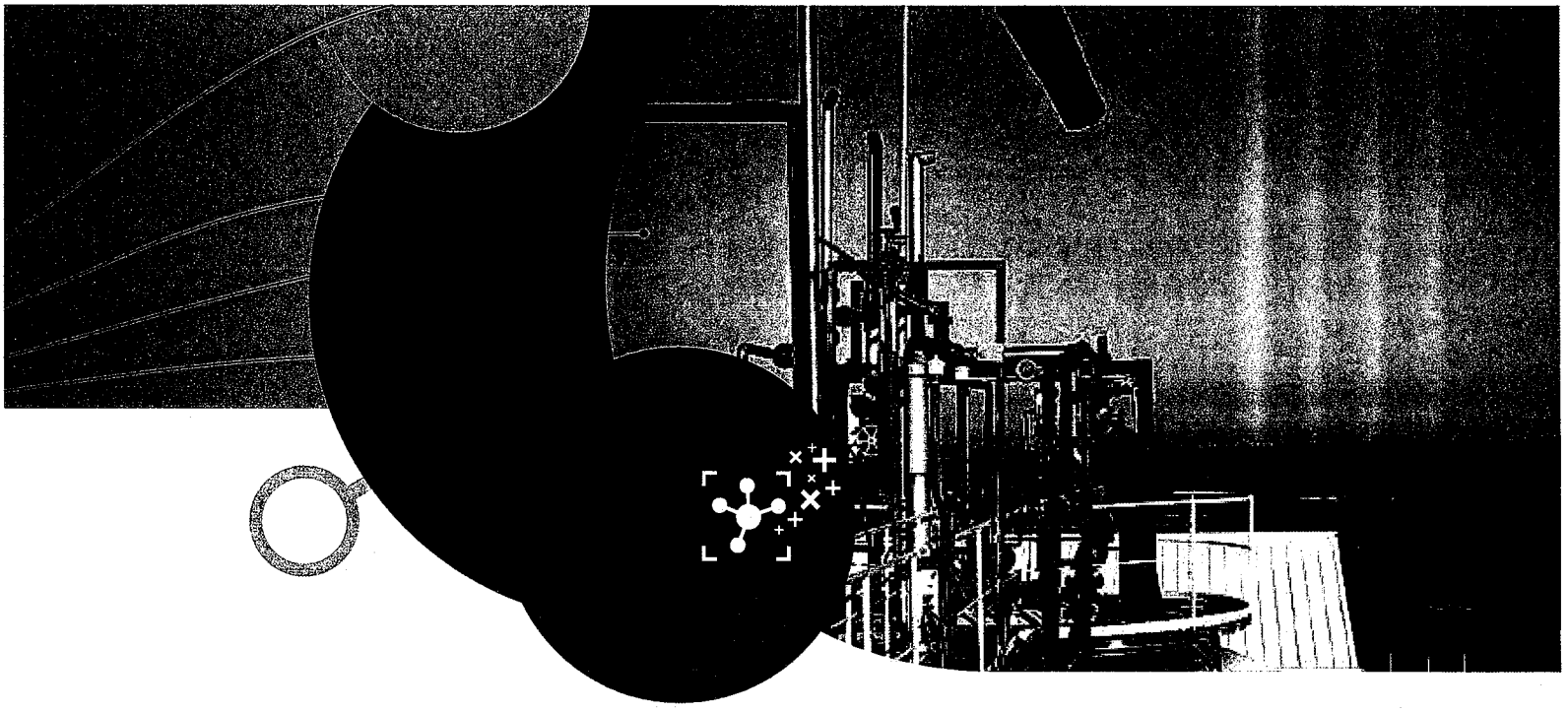
Preventing and managing environmental impact

Arkema's environmental processes are based on a corporate policy implemented at our industrial facilities and on the deployment of specific action plans.

With a continuous improvement process that exceeds the requirements of applicable regulations, Arkema has integrated environmental protection into our management system. Most of our plants have earned environmental certification, usually based on the ISO 14001 standard, chosen because it is an international benchmark. However, depending on the local situation, some sites have selected other standards, such as the Responsible Care® Management System (RCMS).

Each Arkema plant uses an exacting procedure to pinpoint its local impact on water, air, waste, noise, odors and soil, and to establish its priorities for action. Regular environmental analyses track our progress and set new improvement targets. Each facility thoroughly and systematically monitors its discharges, emissions and waste. All environmental data are collected, compiled at a corporate level and published each year in this report.

Minimizing the environmental impact of industrial operations also means optimizing the use of natural resources, especially water, energy and raw materials. Our plants only use what water is strictly necessary for their operations. Energy efficiency is a core operating principle at our facilities. New production units factor energy management into their choice of processes and equipment from the design stage onward.



Ongoing emissions reduction

Concerned with maintaining water and air quality and mitigating climate change, Arkema pays special attention to three indicators: chemical oxygen demand (COD) in discharges to water, volatile organic compounds (VOC) and greenhouse gas emissions, mainly carbon dioxide (CO_2) and hydrofluorocarbons (HFC).

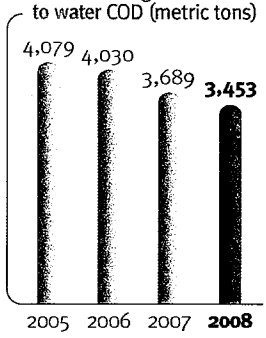
Prevention at the source, improved processes, optimized effluent treatment, operator and maintenance personnel training, and the installation of sophisticated continuous-analysis devices have helped reduce discharges to water and air emissions at all our industrial facilities.

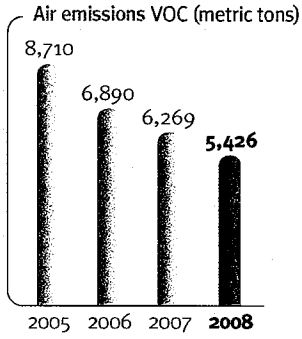
Saving energy is important to reducing greenhouse gas emissions. As a major energy consumer, Arkema strives to continuously improve the energy efficiency of our installations. The in-house Arkenergy initiative raises employee awareness of the need to reduce waste and to look for ways to conserve energy.

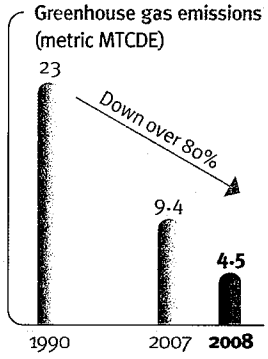
Arkema has been working to reduce greenhouse gas emissions at our combustion and production plants for many years. We have cut them by 80% since 1990, the baseline year for the Kyoto Protocol establishing improvement targets for industrialized nations.

In 2008, we commissioned an incineration unit for HFC 23, a byproduct of HCFC 22 production, at our Changshu, China plant. The incinerator's impact will be fully felt in 2009, at which time Arkema's greenhouse gas emissions will be just one-sixth of their 1990 levels.

Discharges







Generating less waste and using less steam at the Spinetta plant in Italy

Modifying the secondary wastewater treatment process at our organic peroxide plant in Spinetta reduced the solid waste from wastewater treatment by some 2,500 metric tons a year. At the same time, an overhaul of the steam distribution system saved over 10,000 metric tons of steam a year, the equivalent of 1,000 metric tons of oil.

Product stewardship

Making sure our products are safe for human health and the environment at every stage in their life cycle.

Assessing risks across the product life cycle

Arkema takes care to market products that are safe, environmentally and health friendly, and useful to the community. Product stewardship means making sure that products do not jeopardize human health and safety or the environment at any stage of their life cycle, including development, production plant design, manufacturing, transportation, marketing, use and disposal. This proactive, voluntary policy requires the cooperation of all participants in the production chain, from raw material suppliers to carriers, retailers, sales and marketing professionals, and end-use customers.

Arkema's toxicologists and ecotoxicologists continuously broaden our knowledge of the properties of our chemicals. For years, they have been working with other professionals through the High Production Volume (HPV) programs of either the International Council of Chemical Associations (ICCA) or the U.S. Environmental Protection Agency (EPA). Implementation of the European Union REACH regulation will supplement and expand these programs.

REACH, an opportunity for improvement

Arkema sees REACH as another way of continuously improving what we know about our chemicals and their safe use, an opportunity to respond to the legitimate expectations of civil society concerning health and environmental protection, and a means of restoring the public's faith in the chemical industry. Through innovative R&D, we also plan to take advantage of the inevitable changes that REACH will bring to the chemical marketplace.

REACH's challenges

Formally adopted on December 18, 2006 by the European Union's Council of Environment Ministers, the REACH regulation became effective on June 1, 2007. REACH, which stands for Registration, Evaluation and Authorization of Chemicals, aims to upgrade public protection. Probably the most ambitious E.U. regulation adopted in the last 20 years, it replaced some 40 other regulations. REACH introduces sweeping changes in the way chemicals produced in or imported into the European Union are managed. It requires that we increase what we know about our products, analyzing their environmental and health risks, and take measures to manage any risk associated with their production and use.

REACH procedures

- A new procedure: Registration.
- A new risk management tool: The authorization process.
- The creation of the European Chemicals Agency (ECHA), based in Helsinki, Finland, responsible for REACH's technical and administrative processes.

In the first 11 years after REACH takes effect, more than 30,000 substances, accounting for most of the volume produced and marketed in the E.U., will have to be registered with the ECHA.

Arkema successfully completes step one, pre-registration

Arkema's employees rose to the challenge of pre-registering our 430 substances with the ECHA by the December 1, 2008 deadline. Pre-registration is an essential step in the process instituted by the REACH regulation, because companies that pre-register every substance they make or import will be allowed to continue marketing them and be granted extensions to prepare registration dossiers, depending on the quantities involved.

The next steps

Of the 430 Arkema substances preregistered by December 1, 2008, 35 to 40 are hazardous substances expected to be subject to the authorization procedure. The business units affected are incorporating this requirement into their strategy and substitution programs are underway:

- 160 substances produced in annual quantities of 1,000 metric tons or more and those designated substances of very high concern (SVHCs) must be registered by end-November 2010.

• 140 substances produced in quantities of 100 to 1,000 metric tons must be registered by May 2013.
• 130 substances produced in small quantities of one to 100 metric tons per year must be registered by May 2018.

November 2010: the first registration deadline

The first registration dossiers, for substances produced in annual quantities of 1,000 metric tons or more and those designated SVHCs, must be submitted to the ECHA no later than November 30, 2010.
Registration dossiers contain a comprehensive description of the physicochemical, toxicological and ecotoxicological properties that make the substance inherently hazardous. A risk assessment based on analysis of potential human and environmental exposure to the substance throughout its life cycle, from production through end use, is also required for all applications.
Even though much of the data needed to register the substances — most of which have already been studied thoroughly — is available, preparing a dossier requires pulling it all together, which can lead to additional tests, in particular to enhance toxicological and ecotoxicological data and refine the risk assessment.
To minimize animal testing and make compliance more affordable, REACH encourages the sharing of data. A lead registrant therefore prepares a single, joint registration dossier for each substance, with each manufacturer or importer involved submitting other information individually in a separate dossier. The pooling of data generally takes place in consortiums, usually emerging from industry associations and groups. Arkema is the lead registrant for around 50 dossiers.
The main findings of the registration dossier will ultimately be published in a Material Safety Data Sheet (MSDS), an invaluable resource for sharing information among various stakeholders in the supply chain. The MSDS ensures the correct use of the substance and products made with it, in all markets and for all applications.

Dedicated teams and resources

To handle the projected workload increase, we expanded our staff of toxicologists and ecotoxicologists and created new positions to prepare registration dossiers. A team of experts manages the REACH regulation's implementation at the corporate level together with a network of correspondents who prepare specific sections of the dossiers in the business units, at production facilities and in subsidiaries.
REACH's overall compliance cost for Arkema will be about €60 million between 2007 and 2018.

Arkema, a chemical producer interested in what the world around us thinks

By fostering mutual understanding and communication with all stakeholders, Arkema cultivates close local relationships that help us take into account legitimate social expectations, especially those of people living and working near our production facilities.

Pursuing a program of continuous improvement

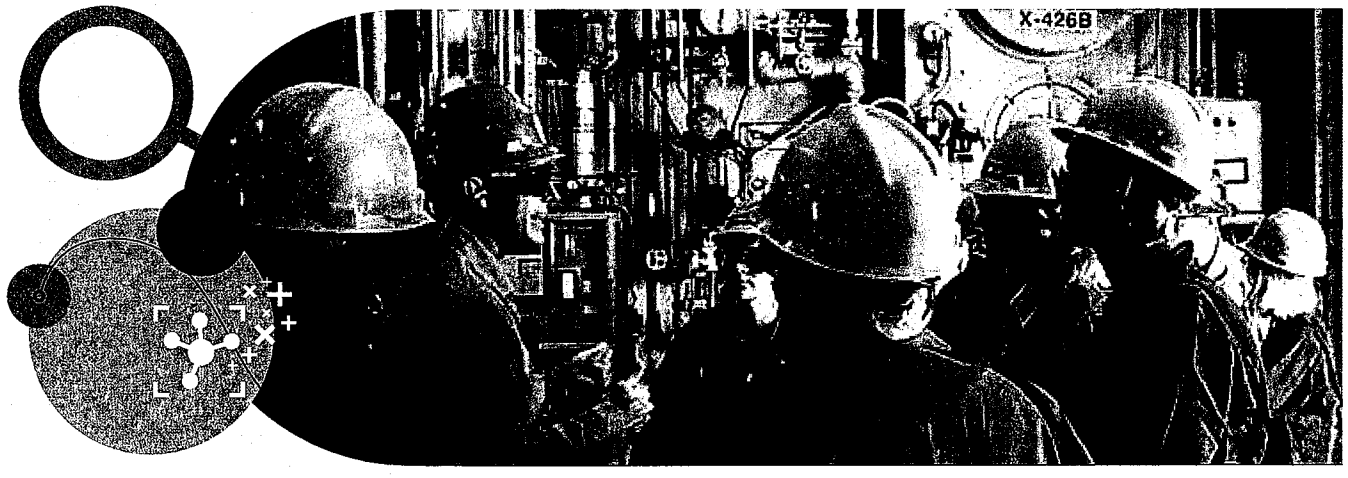
In 1990, responding to legitimate expectations concerning industry in general and chemical producers in particular, the global chemical industry committed to a continuous improvement process known as Responsible Care®.

As a member of this global program since our creation, we have been careful to ensure that our operations create no unacceptable public health or environmental risks. To reaffirm our support, on November 17, 2006, Arkema Chairman and CEO Thierry Le Hénaff signed the Responsible Care® Global Charter of the International Council of Chemical Associations (ICC), which commits signatory companies to driving sustainable development by improving their safety, health and environmental performance and by fostering dialogue with all stakeholders.

Emphasizing local outreach to cement trust

Since the public has a strong tendency to notice the potential risks of chemical production more than the way our industry improves everyday life, Arkema created Common Ground®, an outreach initiative to build lasting, trust-based relationships with stakeholders. Each industrial facility defines and implements initiatives to regularly inform our community partners — public authorities, elected officials, people living and working near our plants, associations and the media — and take their concerns into account. Facilities provide frequent updates on operational changes and their socioeconomic repercussions, risks associated with their activities and preventive measures taken, regulations that apply to them and inspections conducted by authorities, improvement targets, and products and their applications.

The Common Ground® initiative stresses safety and health and environmental protection information, communication on what to do in the event of incidents



and accidents, and alert information procedures. This proactive approach is fully aligned with the real-time communications policy introduced in France in 2007 by the Risk and Industrial Pollution Analysis Office (BARPI), the French Union of Chemical Industries (UIC) and the French Oil and Chemical Industry Safety Group (GESIP). All Arkema sites in France adhere to this voluntary practice of notifying the media regarding all incidents — even minor ones — that occur at a Seveso-classified industrial facility.

Surveying 2,000 people living near Arkema's industrial facilities in France

To gauge the Common Ground® initiative's impact as part of a continuous improvement process, Arkema partnered with pollster TNS Sofres in April 2008 to conduct a fourth survey regarding how our production facilities are perceived by the people who live and work near them.

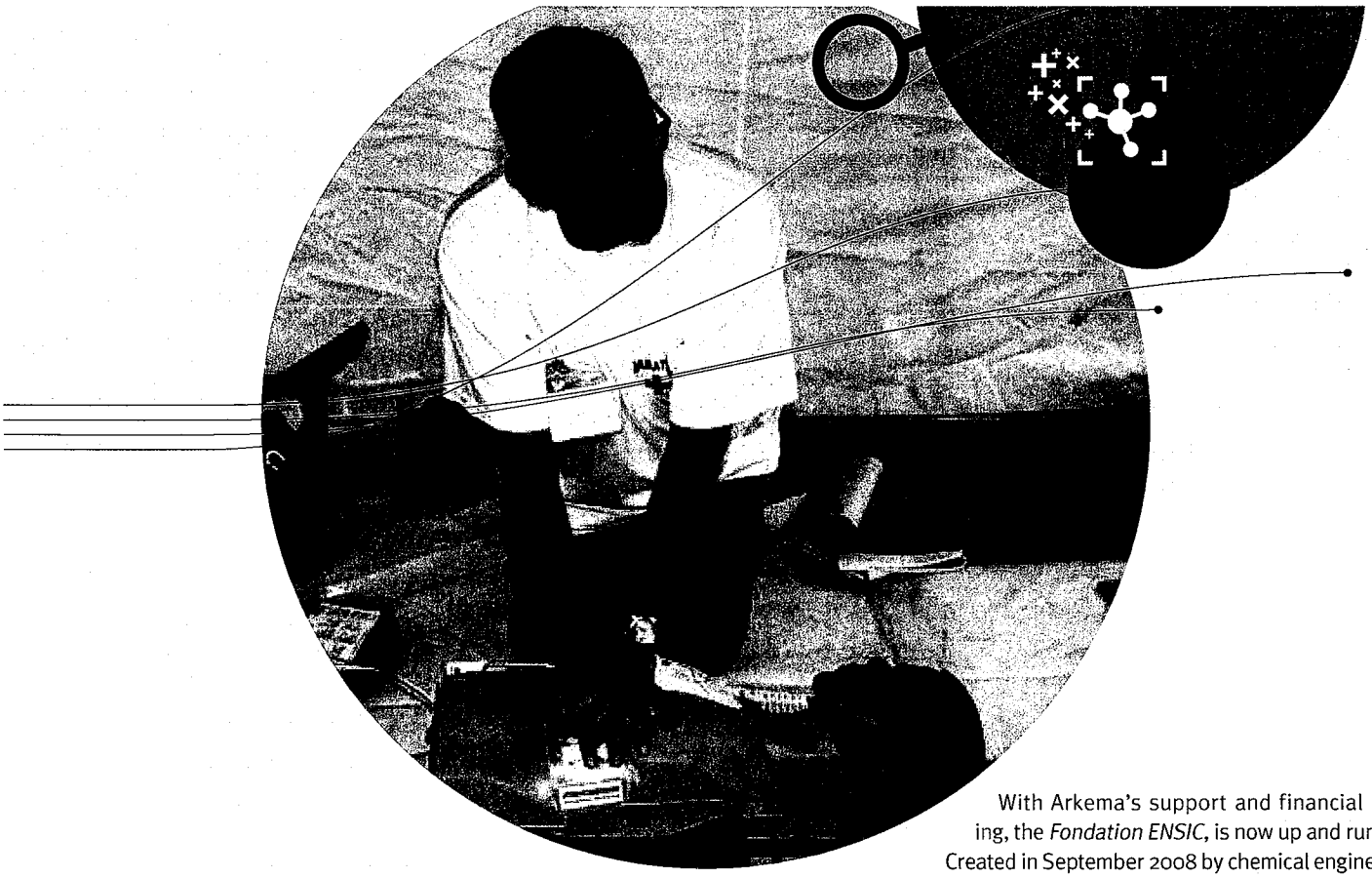
The 2008 survey involved some 2,000 telephone interviews with people living near the Balan, Jarrie, Pierre-Bénite, Lacq-Mourenx, Lannemezan, Marseille and Serquigny industrial facilities. Its findings showed a more favorable climate overall compared to the prevailing situation in 2002 and 2005, especially an easing of concerns about industrial risk and chemicals. The safety of industrial sites now ranks seventh among the public's concerns, well below pollution, unemployment and waste management, which are the top three issues.

The survey revealed improved information and confidence levels of people living near our production sites. Respondents said they were better informed about the potential consequences of accidents and the precautions taken by Arkema to prevent them. They also were taking part in greater numbers during the sites' safety drills.

The survey confirms that Common Ground® is on the right track and that the credibility of our facilities has improved. At the same time, it highlights the

Seeing industry through the eyes of Chinese schoolchildren

In the fall of 2008, Arkema's Shanghai hydrogen peroxide plant took pupils from the nearby Cao Hang primary school and employees' children on a tour of its production units, laboratories and control room. The tour was followed by a drawing contest on the theme of "A factory seen through children's eyes." Of the 50 drawings submitted, 18 were selected for reproduction on the wall around the plant. The contest is an example of our international deployment of the Common Ground® initiative and its role in building solid relationships between the plant and its neighbors.



significant community impact of restructuring certain facilities and the strong public expectations regarding health and environmental protection. Given these concerns, the levels of satisfaction and general trust among those living and working near our facilities were stable overall for the period, after rising steadily over the last five years.
Arkema is taking what was learned via the survey to heart, and will pay particular attention to responding to these new concerns in coming years.

Committed to contributing to civic life

Arkema's first aid training partnership with the French Red Cross introduced in October 2005 came to a close in 2008. The initial target of the partnership was achieved. More than 5,000 people — almost half of them from outside Arkema — were trained at production sites operated by Arkema or our subsidiaries in France. Arkema and the French Red Cross are now working together to set up a new, civic-minded joint action plan that would be a natural fit with the Common Ground® agenda.

ARKEMA INVOLVED IN SOUTH LYON'S INTER-COMPANY COMMUTING PLAN ▶ Arkema's four facilities south of Lyon — the Pierre-Bénite and Saint-Fons plants, the Rhône-Alpes Research Center and a shared services center — are taking concrete steps to implement the United Nations' Agenda 21 sustainable development action plan by drawing up an inter-company commuting plan for Chemical Valley's 6,000 employees, to reduce the environmental impact of commuting to work.

With Arkema's support and financial backing, the *Fondation ENSIC*, is now up and running. Created in September 2008 by chemical engineering school *École Nationale Supérieure des Industries Chimiques de Nancy* under the aegis of the *Fondation de France*, the new foundation aims to promote greater access to higher education by awarding scholarships to deserving students in financial need and fulfill the school's role as a vehicle for individual socioeconomic betterment. The first scholarships will be awarded for the 2009-2010 academic year.

Helping communities deal with unusually severe natural disasters

In 2008, China and the United States experienced unprecedented natural disasters. In each case, the support and involvement of local Arkema teams enabled us to render assistance to our own employees and the local populace.
After the earthquake that rocked Sichuan province in May 2008, Arkema China made a donation to the Chinese Red Cross to assist the victims, with the help of all production plant employees.
In September 2008, Hurricane Ike swept across Texas, directly affecting Arkema's four facilities in the region. Despite major property damage, our sites escaped unscathed in terms of personal injury and environmental impact, thanks in part to the deployment of contingency plans prepared in the aftermath of Hurricane Rita in 2005. Arkema Inc. management and personnel organized to provide moral support and financial aid to those employees who were personally affected.

Shaping employee dialogue to support Arkema's transformation

To support our growth and ease the impact of change, we structure a process to work with employee representatives toward solutions that accommodate the positions and interests of all stakeholders.

Modernizing employee dialogue

We maintain ongoing dialogue with employee representatives across our units. In July 2008, the European Works Council, established in 2007 to provide representation for Arkema's 11,000 employees in Europe, held its first plenary session.

This new, pan-European body is an integral part of the process to modernize employee dialogue at Arkema, which ensures that employees have instructive explanations and all the information they need to understand our strategy and any changes in our environment.

In the People's Republic of China, the first Employee Representatives Congress (ERC) at Arkema China Investment, our biggest subsidiary in the country, was elected In December 2007. This organization enjoys input in many areas, from salary negotiations to safety and training, and is in addition to the labor unions already in place at our Chinese production plants.

A contract-based employee-relations policy

In 2008, Arkema France signed a number of company-wide agreements, covering wages, bonuses and incentives, the composition of Central Works Committee's, health-cost reimbursement, the hiring of employees with disabilities, and amendments to the framework agreement, which provides for early retirements resulting from various restructuring plans. We also signed agreements to assist workers affected by production change plans in Germany and Italy.

In the United States, unionized employees are covered by collective bargaining agreements negotiated with local and central labor unions. Usually valid for three years, the agreements cover wages, benefits and working conditions. In 2008, we renegotiated a collective bargaining agreement at the Bristol, Pennsylvania plant.

Hiring employees with disabilities

Following a 2007 audit by a consultant, Arkema France and labor organizations signed an initial corporate agreement on June 9, 2008 to encourage the hiring of employees with disabilities. The agreement covers all potential ways of promoting job access and retention and supporting the hiring, onboarding and career advancement of workers with disabilities and employees who become disabled at some point in their lives. The agreement also aims to encourage recruitment of the disabled by setting specific hiring targets. For example, Arkema France has pledged to recruit at least 35 disabled employees and host 40 disabled interns over a three-year period. This initiative involves recruitment officers directly, and requires adjustment of the onboarding process to accommodate individual needs.

The 2008 agreement will also enable us to strengthen our relationships with the sheltered employment sector by signing outsourcing contracts — worth at least 50% more than the average amount of outsourcing contracts signed from 2005 to 2007 — with sheltered workshops, programs for the disabled and disability-friendly employers.

In addition, to meet our targets and overcome the reluctance and bias that can undermine workplace acceptance of people with disabilities, the agreement calls for internal and external communication initiatives.

Helping employees weather changes at Arkema

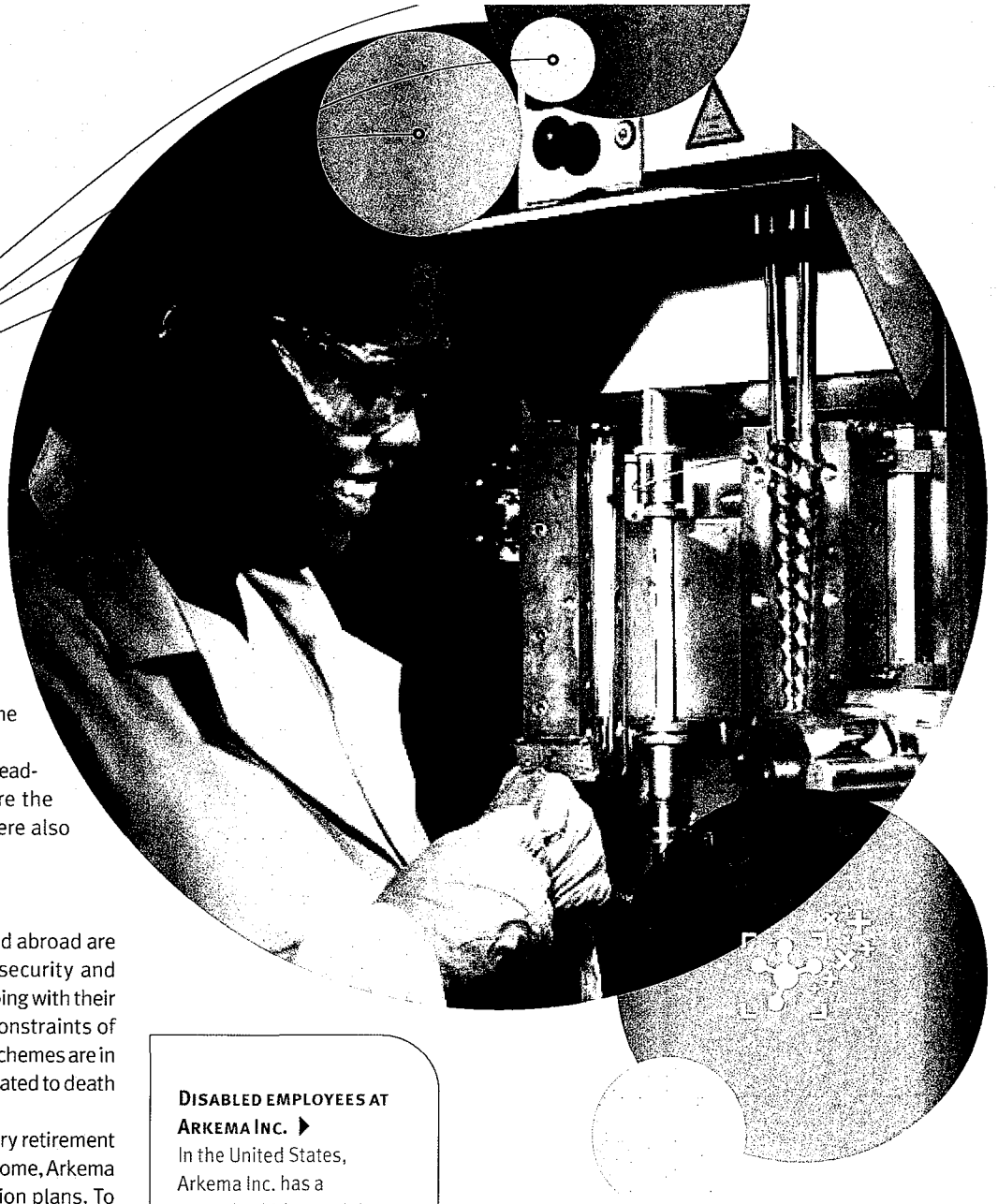
The various restructuring plans announced and implemented at Arkema provide many opportunities for discussion as part of procedures for informing and consulting employee representation organizations at the corporate and local level. We are especially attentive to the impact on employees of changes brought about by restructuring.

Several work change plans were presented in 2008, with Arkema suggesting solutions for all employees affected by job cuts.

Arkema France announced plans involving changes at the Saint-Menet facility in Marseille, restructuring of the Serquigny plant, the creation of two shared service centers for human resources and accounting in the Lyon region, restructuring of the Saint-Auban and Jarrie facilities, and reorganization of goods and services procurement.

The plans presented by Arkema subsidiary Alphacan, our Pipes and Profiles business unit, involved restructuring its Profiles production by closing down the Hasparren plant in France and the Miranda plant in Spain, and restructuring the Gaillac facility and Alphacan's La Celle-Saint-Cloud headquarters in France.

Plans announced in Italy called for boosting the competitiveness of the Rho plant, shutting down



the Pomezia facility and restructuring the Resilia site in Samarate.
Two other plans, to close Arkema UK's headquarters in Solihull and to restructure the Ehringshausen facility in Germany, were also announced.

Welfare and employee benefits

The Group's various units in France and abroad are responsible for ensuring that social security and employee benefit provisions are in keeping with their needs and local practice, within the constraints of agreed-upon annual budgets. Welfare schemes are in place in most countries to cover risks related to death and disability.
In certain countries with basic mandatory retirement plans that fail to guarantee sufficient income, Arkema units had set up defined-benefit pension plans. To limit their resultant financial obligations, these units have gradually closed such pensions to new hires and replaced them with defined-contribution plans. The phase-out took effect in the United Kingdom and Germany in 2002 and in the United States in 2007.

DISABLED EMPLOYEES AT ARKEMA INC. ▶
In the United States, Arkema Inc. has a proactive hiring, training and promotion policy covering employees with disabilities, intended to foster staff diversity in keeping with the principles of the company's Equal Employment Opportunities guidance.

Ark Santé: standardized medical reimbursement

On January 1, 2009, following more than a year Arkema France introduced Ark'Santé, a standard reimbursement plan, under a collective bargain by four trade unions. This supplementary healt to offer employees consistent, high-quality ben managed cost

Focusing on career management and skills optimization

Driving our transformation by **continuously upgrading employee skills and motivation.**

Putting employees in charge of their careers

Giving employees the skills and resources they need to help drive technological, social and economic change at Arkema is a cornerstone of our human resources policy. Many skills development resources are in place, especially for defining career paths and plans and customized training programs to go with them. At Arkema, career management applies to all personnel categories.

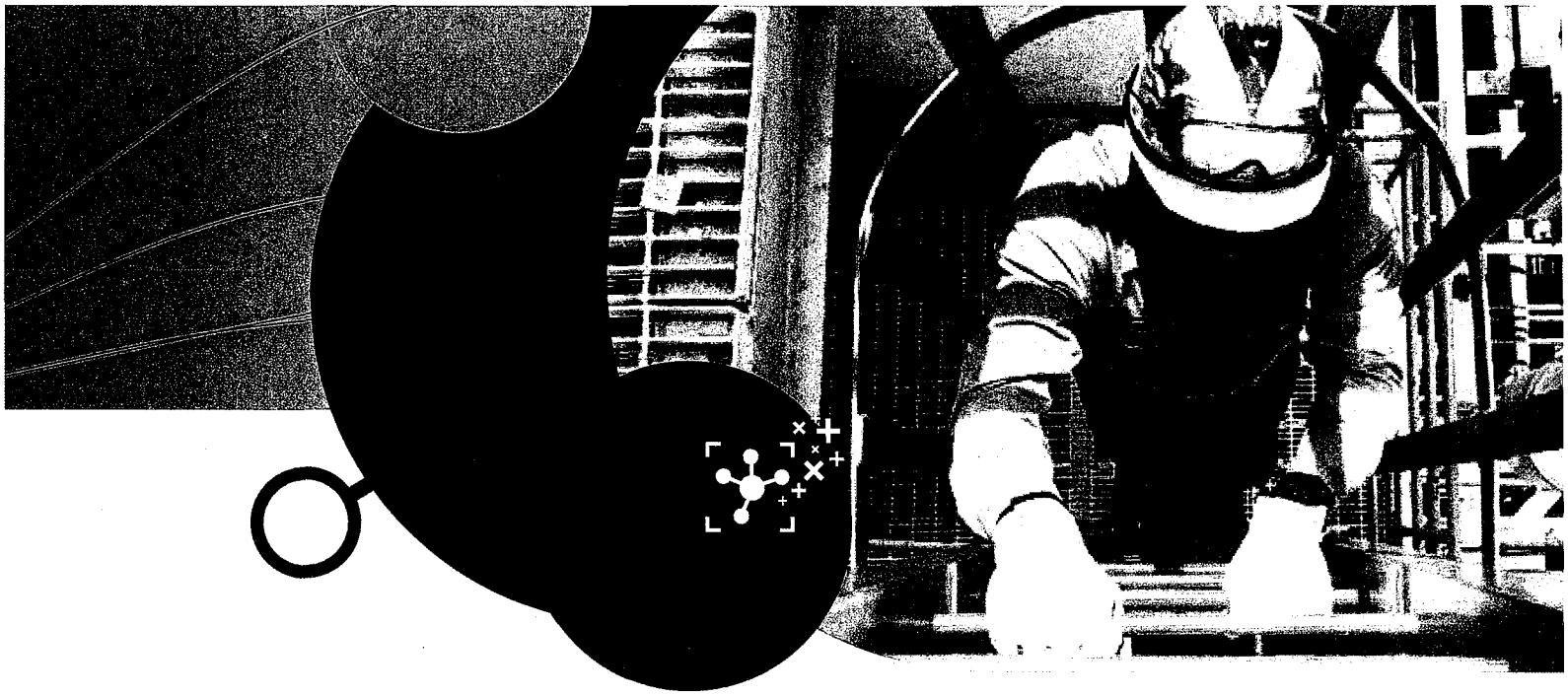
For operations, administrative, technical and supervisory employees, a proactive policy of internal promotion and seamless career paths was formally adopted when we signed a job and skills planning framework agreement. The accord opens the door to new career opportunities through vertical mobility and transfers to different professional fields and facilities.

In 2008, we recruited almost 800 employees around the world, 25% of them women. Nearly 60% of these new hires took place outside France.

Fair compensation for personal and corporate performance

Our human resources policy is based on the principles of diversity and equal opportunity in every host country. Compensation is the key to recognizing and rewarding each employee's contributions to our success. The goals are to compensate staff for personal and corporate performance in a fair, consistent way; foster a sense of accountability and involve all employees in achieving objectives; and stay competitive by considering various markets' requirements and managing costs.

To tie compensation more closely to personal performance, all management jobs have been classified using the Hay method. Based on the level of responsibility assigned to the job, executive compensation includes a variable portion that is pegged to personal performance and the individual's contribution to the overall



performance of a business unit, corporate department, country performance or the company overall.

Giving employees a stake in Arkema's performance and growth

In addition to the profit-sharing system legally required in France, our French companies have introduced employee incentive plans to drive growth. Although each operating unit has its own system, they are all based on the same principle: a bonus pegged to financial performance and a performance improvement bonus tied to achieving targets specific to each facility.

The performance share and stock option plans deployed in 2006, 2007 and 2008 supplement our compensation package. In 2008, our performance share plans were open to almost 900 employees of all categories and professions, and some 100 people received stock options.

Arkema verifies the competitiveness of our overall compensation policy by comparing it regularly to the policies of similar companies.

Encouraging employee share ownership

Through a vigorous policy of encouraging employee share ownership, Arkema intends to periodically hold employee-only share issues that will give personnel a real stake in our growth. The purchase price for the 2008 issue was set at €30.42. The share issue was open to employees of Arkema S.A. and affiliated companies participating in the PEG-A employee savings plan that had secured local administrative authorizations. It was also open to retired employees of Arkema S.A. and its subsidiaries who had retained assets in the employee savings plan.

Nineteen countries participated in the share issue, with 4,000 employees purchasing a total of 618,462 shares, increasing employee ownership of Arkema S.A. from 1% to just over 2%.

Arkema France's incentive agreement, renegotiated for 2008, 2009 and 2010, is covered by a collective bargaining agreement signed on April 4, 2008 by four labor unions. Incentives for a given fiscal year may not exceed 5.4% of payroll expenses.

Relationships with educational institutions

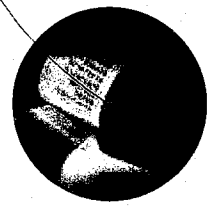
Arkema cultivates close relationships with the top schools and educational institutions for all of our businesses. In France, for example, we sponsor the *École Supérieure de Physique et Chimie Industrielle* (ESPCI) and *École Nationale Supérieure des Industries Chimiques de Nancy* (ENSIC) industrial physics and chemical engineering schools. To optimize recruitment for our corporate functions, we also maintain close ties with business schools as the *École Supérieure des Sciences Économiques et Commerciales* (ESSEC) and the *École Supérieure de Commerce de Paris-École Européenne des Affaires* (ESCP-EAP).

Through the *Developing Engineer Program* in the United States, we host four to six engineering students each year from leading American universities, providing them with work placements at industrial facilities over a period of five years.

Arkema also offers many opportunities each year for internships, apprenticeships, post-graduate thesis work and co-op placements through the *Volontaire International en Entreprise* (VIE) program, providing us with a pool of excellent recruits.

Appendixes

Simplified financial statements
Environmental Reporting Methodology
Safety data Verification Statement
Environmental data Verification Statement
Environmental indicators



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Simplified financial statements

Balance sheet

(€ millions)	December 31, 2007 (audited)	December 31, 2008 (audited)
Assets		
Intangible assets, net	460	466
Property, plant and equipment, net	1,525	1,638
Equity affiliates: investments and loans	42	53
Other investments	24	22
Deferred income tax assets	18	25
Other non-current assets	127	137
Total non-current assets	**2,196**	**2,341**
Inventories	1,017	1,026
Accounts receivable	1,000	838
Other receivables and prepaid expenses	160	149
Income taxes recoverable	14	22
Other current assets	1	30
Cash and cash equivalents	58	67
Total assets of discontinued operations	-	-
Total current assets	**2,250**	**2,132**
Total assets	**4,446**	**4,473**
Liabilities and shareholders' equity		
Share capital	605	605
Paid-in surplus and retained earnings	1,446	1,476
Treasury shares	-	(1)
Cumulative translation adjustment	(140)	(84)
Shareholders' equity - Group share	**1,911**	**1,996**
Minority interests	**21**	**22**
Total shareholders' equity	**1,932**	**2,018**
Deferred income tax liabilities	54	47
Provisions and other non-current liabilities	846	835
Non-current debt	61	69
Total non-current liabilities	**961**	**951**
Accounts payable	786	690
Other creditors and accrued liabilities	290	259
Income taxes payable	15	17
Other current liabilities	6	45
Current debt	456	493
Total liabilities of discountinued operations	-	-
Total current liabilities	**1,553**	**1,504**
Total liabilities and shareholders' equity	**4,446**	**4,473**

Income statement

(€ millions)	December 31, 2007 (audited)	December 31, 2008 (audited)
Sales	**5,675**	**5,633**
Operating expenses	(4,827)	(4,840)
Research and development expenses	(158)	(150)
Selling and administrative expenses	(397)	(393)
Recurring operating income	**293**	**250**
Other income and expenses	(72)	(53)
Operating income	**221**	**197**
Equity in income of affiliates	5	8
Net finance costs	(15)	(35)
Income taxes	(104)	(69)
Net income from continuing operations	**107**	**101**
Net income from discontinued operations	**17**	**-**
Net income	**124**	**101**
of which minority interests	2	1
Net income - Group share	**122**	**100**
Earnings per share (in euros)	*2.02*	*1.65*
Diluted earnings per share (in euros)	*2.01*	*1.65*
Depreciation and amortization	(225)	(248)
Recurring EBITDA	**518**	**498**
Adjusted net income	**186**	**146**
Adjusted earnings per share (in euros)	*3.08*	*2.41*
Diluted adjusted earnings per share (in euros)	*3.06*	*2.41*

Cash flow statement

(€ millions)	December 31, 2007 (audited)	December 31, 2008 (audited)
Cash flow - operating activities		
Net income	124	101
Depreciation, amortization and impairment of assets	246	268
Provisions, valuation allowances and deferred taxes	(2)	(56)
(Gains)/losses on sales of assets	(96)	(38)
Undistributed affiliate equity earnings	(5)	(8)
Change in working capital	47	56
Other changes	5	8
Cash flow from operating activities	**319**	**331**
Cash flow - investing activities		
Intangible assets and additions to property, plant and equipment	(325)	(335)
Change in fixed asset payables	9	5
Acquisitions of subsidiaries, net of cash acquired	(294)	(18)
Increase in long-term loans	(24)	(49)
Total expenditures	**(634)**	**(397)**
Proceeds from sale of intangible assets and property, plant and equipment	88	40
Change in fixed asset receivables	-	(14)
Proceeds from sale of subsidiaries, net of cash sold	105	-
Proceeds from sale of other investments	1	2
Repayment of long-term loans	27	27
Total divestitures	**221**	**55**
Cash flow from investing activities	**(413)**	**(342)**
Cash flow - financing activities		
Issuance (repayment) of shares	5	17
Purchase of treasury shares	-	(25)
Dividends paid to parent company shareholders	-	(46)
Dividends paid to minority shareholders	-	-
Increase(decrease) in long-term debt	9	20
Increase(decrease) in short-term borrowings and bank overdrafts	(4)	22
Cash flow from financing activities	**10**	**(12)**
Net increase(decrease) in cash and cash equivalents	(84)	(23)
Effect of exchange rates and changes in scope	(29)	32
Cash and cash equivalents at beginning of period	171	58
Cash and cash equivalents of discontinued operations at end of period	-	-
Cash advance granted to discontinued operations	-	-
Cash and cash equivalents at end of period	**58**	**67**

Environmental Reporting Methodology

The indicators published in this report track performance on the primary environmental issues raised by Arkema's operations. They are based on annual data, from January 1 to December 31, for the years 2006, 2007 and 2008.

Scope

The environmental data in this report concern all of the facilities operated worldwide by Arkema or one of its subsidiaries, regardless of the equity held in the facilities in question, to the extent that Arkema has the authority to implement its health, safety and environmental policies and guidelines.
To facilate like-for-like comparisons, current year data are presented based on the structure for each of the previous two years.

Methodology

• To avoid duplication, only direct emissions from facilities or installations operated by Arkema are included.

• In order to gauge the true environmental impact of discharges to water, data refer to discharges from treatment facilities.

• Discharge to water flows are indicated as additional flows, since pre-existing pollutants in the water sampled are not included in facility discharge figures. This rule applies only for samples and discharges from the same environment.

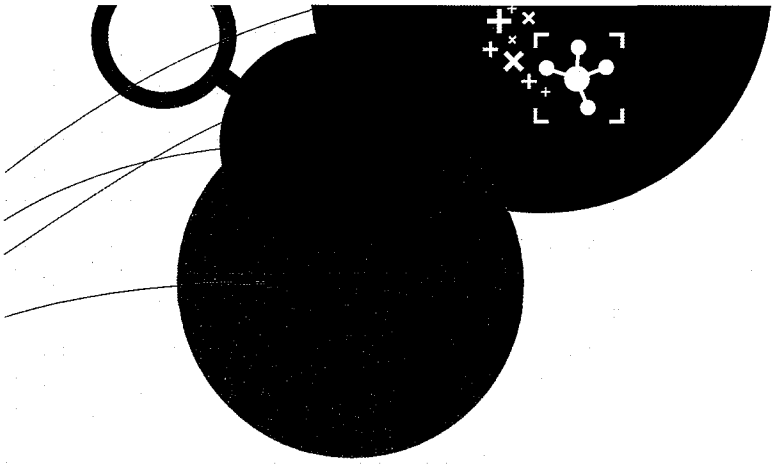
• The diversity of analytical methods and regulations in force in various countries makes it difficult to consolidate global data for the discharge of organic matter into water. Of the two criteria commonly used to measure organic matter — Total Organic Carbon (TOC) and Chemical Oxygen Demand (COD) — this report uses COD. For plants that measure only TOC, a default COD/TOC ratio of three was applied. This coefficient was used in the European Commission's decision establishing the European Pollutant Emission Register (EPER) and in the December 24, 2002 French ministerial order, as amended, concerning the annual pollutant emissions filing of environmentally-sensitive facilities subject to authorization.

• Global consolidation of air emissions data is also problematic in the case of non-methane volatile organic compounds (NM-VOC). The definition of what constitutes an NM-VOC varies by country, and especially between the United States and the European Union. This report uses the definition in the Council Directive of March 11, 1999.

• Waste incinerated using company facilities, whether on-site or off, is counted as onsite incineration. This applies even if the waste was physically moved from one Arkema facility to another for incineration.

External Verification

The application of reporting procedures to a selection of environmental indicators was verified by outside verifier Bureau Veritas Certification. Its verification statement is reprinted on page 60 of this report.



Safety data Verification Statement

Arkema has required *Bureau Veritas Certification France*, Independent Verification Body, to verify some of its safety data for 2008 fiscal year.

The purpose of this verification was to assess the reliability of the data processing.

This includes:

• LTIR: Lost Time Injury Rate (injury rate with stop of work including temporary employees, apprentices and trainees, subcontractors staff working within the Arkema facility or entity on regular basis or staff from companies involved in facility closure or a site building project or existing facility modernisation).

• TRIR: Total Recordable Injuries Rate (injury rate with or without stop of work stoppage including temporary employees, apprentices and trainees, subcontractors staff working within the Arkema facility or entity on regular basis or staff from companies involved in facility closure or a site building project or existing facility modernisation).

Bureau Veritas Certification declares that this statement, based on the results of its verification process, gives its own opinion. Bureau Veritas Certification commercial interests concern only this third party verification.

The verified data was prepared under the responsibility of the Quality Environment and Safety Division in accordance with the ARKEMA Corporate Directive **"Safety reporting Reference D-HS 01 / issue 2"**.

Bureau Veritas Certification has performed the following tasks in order to verify that the data is reliable and free from significant error.

Head Office Audit:

• Understanding of the scope concerned which is bounded to the sites operated by Arkema.
• Assessment of the Corporate Reporting Procedures based on relevant and reliable criterias.
• Validation that the data reported by the sites are correctly considered for the global consolidation by the Quality, Environment and Safety Division.

Sampled sites Audit:

• Verification that the Corporate Reporting rules and local rules are complied with.
• Interview of the staff involved in the process of collecting and handling data, until the final calculation of the occupational safety indicator for year 2008.
• Understanding and auditing of the organizational and technical specificities of the sampled sites related to the presence from subcontractors, to the presence from medical assistance, to local specificities.

Headquarter and 6 sites among the 112 industrial sites, research centers and other headoffices were verified. They represent 19.4% of injuries and 15.2% of working hours within the Group in 2008.
This work was performed between the 14th of January 2009 and the 20th of February 2009.

Sites audit verified the compliance to Group Reporting practices, from the injury declaration by the person injured to at worldwide level. The management of modifications was verified at the different levels.

Based on our verification protocole described as above:

• Nothing indicates to *Bureau Veritas Certification* that the examined data for the calculation of both indicators LTIR and TRIR is inaccurate.
• It is *Bureau Veritas Certification's* opinion that Arkema has established appropriate systems for the collection, aggregation and analysis of data.

Data processing is based on the gathered data by the sites and verified for 2008. This concerns the occupational safety indicators with the following results:
LTIR: 2.7
TRIR: 5.9

Paris, the 24th February 2009
BUREAU VERITAS Certification France
Bruno LABARRE
Managing Director

Environmental data Verification Statement

Arkema asked *Bureau Veritas Certification France*, Independent Verification Body, to verify some of its environmental data for 2008 fiscal year.

This verification aimed to assess the reliability of this data.

The verification field covered:
- Chemical Oxygen Demand: COD
- Volatile Organic Compounds: VOC
- GreenHouse Gas (GHG): CO_2 (carbon dioxide), CH_4 (methane), HFC (Hydrofluorocarbons), PFC (Perfluorocarbons), N_2O (Nitrous oxide) and SF_6 (Sulphur hexafluoride).

Bureau Veritas Certification declares that this statement, based on the results of its verification works, gives its own opinion. Bureau Veritas Certification commercial interests concern only this third part verification.

The verified data was prepared under the responsibility of the Quality Environment and Safety Division in accordance with the Arkema Corporate Directive "Environmental reporting-Reference D-E01 / issue 2".

We have performed following tasks in order to verify the data is reliable and free from significant error:

Head Office Audit:

- Understanding of the scope concerned which is bounded to the 119 sites operated by ARKEMA, excepted the 2 sites: Polivar and Le Havre, closed during year 2008. These 2 sites did not benefit from an annual verification system for environmental data. The contribution of those 2 sites compared to verified data is estimated by Arkema at less than 0.1% of COD, VOC and GHG emissions,
- Assessment of the Corporate Reporting Procedures based on relevance and reliability criterias,
- Validation that the data reported by the sites are correctly considered for the global consolidation by the Quality Environment and Safety Division.

Sampled sites Audit:

- Verification that the Corporate Reporting rules and local rules are respected,
- Interview of the staff involved in the process of collecting and handling data, until the final calculation of the environmental indicator for year 2008,
- Understanding and audit of the organizational and technical specificities of the sampled sites: arrangements used to monitor the 3 environmental indicators (process, treatment equipments for liquid releases (COD) and atmospheric releases (VOC and GHG)).

On site audits allowed us to verify in situ the equipments and the respect of the arrangements "declared". Those sites were sampled in France. Their contribution to the Arkema group global emissions taking into account data verified 2008, is listed below:
COD = 32.1%
VOC = 28.1%
GHG = 18.6%

The data of the other sites was verified in a centralized way.

Considering that the reporting reliability of the sites audited in 2006 and 2007 is maintained in 2008, the contribution of the sites audited on those 3 years to the ARKEMA group global emissions, would be for year 2008:
COD = 73.7%
VOC = 80.9%
GHG = 88.8%

Based on our verification protocole described above:
- Nothing indicates us that examined indicators are inaccurate,
- It is our opinion that Arkema has established appropriate systems for the collection, aggregation and analysis of data.

Amounts verified for 2008:
COD: 3,453 tons of O_2
VOC: 5,426 tons
GHG: 4,505 kilotons equivalent CO_2

Paris, the 24th February 2009
BUREAU VERITAS Certification France
Bruno LABARRE
Managing Director

Environmental indicators

Emissions to air

	2006	2007	2008
Volatile organic compounds - VOC (metric tons)	6,890	6,269	5,426
Total emissions of acidifying substances (metric tons SO_2 equivalent)	8,330	7,269	6,516
Greenhouse gases (metric TCDE)	9,580	9,392	4,505
• of which CO_2	1,796	1,611	1,596
• of which HFC	7,729	7,726	2,850
Dust (metric tons)	474	513	600
CO (metric tons)	9,230	9,277	7,381

Energy consumption

Total (TWh)	17.1	16.0	15.8

Water use

Total (million cublic meters)	169.5	148.6	138.5

Discharges to water

COD (metric tons of O_2)	4,030	3,689	3,453
Suspended solids (metric tons)	6,675	6,127	6,189

Waste in metric tons/year

Hazardous waste excluding recycled material	200,710	198,670	182,500
• of which landfilled offsite	9,479	8,419	6,700
Non-hazardous waste	91,686	84,281	89,100

This report was produced by the External Communications Department, the Investor Relations Department and the Safety, Environment and Quality Department, in cooperation with Arkema's facilities, business units and subsidiaries.

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The report can be downloaded in PDF format at www.arkema.com.

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PUBLIC VERSION

CONFIDENTIAL EXHIBIT 2

Asset Purchase Agreement

EXHIBIT 3– List of Ancillary Agreements

Agreement	Exhibit
Assignment and Assumption Agreement	Exhibit A
Bill of Sale	Exhibit B
Transition Services Agreement	Exhibit C
Site Services Agreement	Exhibit D
Master Supply Agreement	Exhibit F
Seed Latex Supply Agreement	Exhibit G
MOD 5 Software Agreement	Exhibit H
MOD 5 Hardware Agreement	Exhibit I
License of Dow Operating Systems and Tools	Exhibit J
St. Charles Ground Lease	Exhibit K
Intellectual Property License	Exhibit L
Intellectual Property Assignment and License Back	Exhibit M
Trademark Assignment	Exhibit N
Trademark License	Exhibit O-1
Copyright Assignment and License	Exhibit O-2
EA Contract Manufacturing Agreement	Exhibit P
Traffic Paint Contract Manufacturing Agreement	Exhibit Q
Reverse Supply Agreement	Exhibit R
Asset Allocation Agreement	Exhibit S
Railcar Sublease	Exhibit T
Electric Facilities Lease	Exhibit W
Technical Assistance Agreement for Buyer	Exhibit X-1
Technical Assistance Agreement for Seller	Exhibit X-2
Macromonomer Contract Manufacturing Agreement	Exhibit Y
Propylene Supply Agreement	Exhibit Z
Torrance Building Lease	Exhibit AA
Torrance Tank Lease	Exhibit BB
Side Letter	Exhibit CC