Half-year Financial Report

First half ended June 30th 2014

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Société anonyme au capital de 636 968 620 euros – 445 074 685 RCS

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HALF-YEAR FINANCIAL REPORT

I. FIRST HALF 2014 HIGHLIGHTS

1. Acquisition

In January 2014, ARKEMA announced the creation of Sunke, a joint venture in which ARKEMA will have a majority interest, comprising the assets of Jurong's acrylic acid production site in Taixing opened in 2012, with current capacity running at 320,000 t/year. This acquisition, in the wake of ARKEMA's recent startup of its coating resins and Coatex production plants on the Changshu site, will enable the Group to accelerate the development of its Coating Solutions segment in China and in Asia and to assist its customers in particular in fast-growing markets such as superabsorbents, paints, adhesives and water treatment. It also reinforces the Group's presence in higher growth countries.

When the deal closes[1], due in September 2014, ARKEMA will have access to half of the site's installed production, namely 160,000 t/year, for a US$240 million investment. When a third line comes on stream, ARKEMA will have the option to access 2/3rd of the site's acrylic acid installed capacity, namely 320,000 t/year, for an additional US$235 million investment. In a full year, sales corresponding to both these lines are estimated at around US$600 million.

2. Organic growth project

In May 2014, ARKEMA announced the creation of a joint venture between CECA, its Filtration and Adsorption subsidiary, and Saudi company Watan Industrial Investment. The joint venture, majority-owned by ARKEMA, will operate a petroleum additives blending plant and storage facility in Saudi Arabia. The new site will enable CECA to meet the high demand for petroleum additives in the Gulf region, and will consolidate the Group's presence in fast-growing countries, in line with its mid-term strategy and ambition. The new site is due to come on stream in 2nd half 2014.

3. Improvement of competitiveness

In line with its medium term target to generate a 15% EBITDA margin in the Coating Solutions segment, ARKEMA continues to optimise its Coating Resins business, and has announced in May 2014 a project to discontinue production of coating resins on its Stallingborough site (UK), which will result in the loss of 58 jobs. A €9 million exceptional charge, including €5 million asset impairment, was booked in the 2nd quarter 2014 accounts. The production plants were shut down in July 2014.

On 30 April 2014, the inauguration of the new electrolysis unit at the Jarrie plant marked a new milestone in the site's modernisation. This investment of some €100 million, including €60 million for ARKEMA, has enabled the facility to adapt to the latest regulations on industrial risks ('PPRT') and to convert its mercury electrolysis to the membrane technology, thereby pre-empting the mandatory deadline by several years.

4. Other highlights

In April 2014, ARKEMA successfully conducted its fourth share capital increase operation reserved for employees. 491,502 shares were subscribed at a price of €64.19 per share, totalling €32 million. The share of the capital held by employees now stands at some 4.7%.

On 29 May 2014, American company Golden Gate Capital finalised its takeover bid for the entire capital of Canada Fluorspar Inc. This operation resulted in the accounts of ARKEMA, which owned a 19% stake in this company, in a €6 million capital loss.

[1] This operation is subject to authorisation by the relevant authorities in China as well as a number of administrative formalities.

II. ANALYSIS OF FINANCIAL RESULTS FOR FIRST HALF 2014

(In millions of euros)	1st half 2014	1st half 2013	Variations in %
Sales	**3,043**	**3,192**	**-4.7%**
EBITDA	**419**	**507**	**-17.4%**
EBITDA margin (%)	**13.8%**	**15.9%**	
Recurring operating income	**261**	**353**	**-26.1%**
Other income and expenses	(32)	(140)	
Operating income	**229**	**213**	**+7.5%**
Net income – Group share	**124**	**82**	**+51.2%**
Adjusted net income	**156**	**221**	**-29.4%**
Capital expenditures	**203**	**174**	**+16.7%**
Net debt	**1,106** *(30/06/14)*	**1,150** *(30/06/13)*	**-3.8%**

Sales

Sales in 1st half 2014 amounted to €3,043 million, 4.7% down on 1st half 2013, and 1.4% down at constant scope of business and foreign exchange rate. Volumes grew by 2.1% (+3.5% excluding the impact of the shutdown of the Chauny site in France effective in 1st quarter 2014), supported by High Performance Materials and Industrial Specialties. The -3.5% price effect essentially reflects lower prices and unfavourable product mix in fluorogases. The - 2.3% currency effect (translation only) primarily corresponds to the weakening of the US dollar versus the euro. The -1.0% business scope effect reflects the deconsolidation of the coating resins companies in South Africa currently being divested as well as the change in the consolidation method used for certain joint ventures.

EBITDA and recurring operating income

EBITDA stood at €419 million against €507 million in 1st half 2013. This decrease reflects challenging market conditions in fluorogases, several specific and temporary unfavourable elements in polyamide 12 in 2nd quarter 2014, and volumes below expectations in Coating Solutions in 2nd quarter 2014. The other product lines reported a solid performance. Finally, the strength of the euro versus the US dollar continued to impact the Group's performance with a -€10 million translation effect in 1st half 2014.

EBITDA margin held up well as 13.8% of sales despite market conditions in fluorogases and in acrylics.

In line with the EBITDA trend, recurring operating income stood at €261 million against €353 million in 1st half 2013. It includes €158 million depreciation and amortization, slightly up on last year (€154 million). The increase in depreciation and amortization relating to the start-up of new production plants was to a large extent offset by a currency effect related to the weakening of the US dollar compared to the euro and by changes in the scope of consolidation.

Operating income

After deduction of €32 million other income and expenses (-€140 million in 1st half 2013), operating income stood at €229 million against €213 million in 1st half 2013.

In 1st half 2014, other income and expenses corresponded mainly to various restructuring charges including those related to the shutdown of production of coating resins on the Stallingborough site (United Kingdom) as well as costs related to acquisition and divestment operations. In 1st half 2013, other income and expenses mainly corresponded to a €125 million non-recurring charge booked in the accounts following the insolvency proceeding concerning Kem One SAS, the company that comprises the upstream part (chlorine / caustic soda electrolysis and PVC) of the vinyl activities sold by ARKEMA.

Financial result

Financial result stood at -€29 million against -€27 million in 1st half 2013. It includes a €3 million charge relating to actuarial losses on certain provisions for long service awards due to employees in France booked to take into account lower discount rates.

Income taxes

Income taxes in 1st half 2014 amounted to €75 million (€106 million in 1st half 2013), i.e. 28.7% of recurring operating income. They included a €4 million contribution paid on the dividend paid out in May 2014. Excluding this contribution, the tax rate would stand at 27.2% of recurring operating income. This tax rate reflects the geographic breakdown of the results and in particular the weight of North America in the Group's results.

Net income, Group share, and adjusted net income

Net income, Group share stood at €124 million against €82 million in 1st half 2013.

Excluding the impact, after tax, of non-recurring items, adjusted net income reached €156 million against €221 million in 1st half 2013.

Segment performance

High Performance Materials

(In millions of euros)	1st half 2014	1st half 2013	Variations In %
Sales	**925**	**925**	**-**
EBITDA	**150**	**163**	**-8.0%**
EBITDA margin (%)	**16.2%**	**17.6%**	
Recurring operating income	**98**	**112**	**-12.5%**

High Performance Materials sales were stable compared to 1st half 2013 at €925 million. At constant scope of business and foreign exchange rate, sales grew by 2.2%, supported by strong growth in volumes (+4.3%) compared to a relatively low basis of comparison at the beginning of 2013. Fluoropolymers, driven by the latest developments (lithium-ion batteries, etc.), and organic peroxides benefited from good growth momentum. The -2.1% price effect resulted primarily from stronger competitive pressure in polyamide 12 partly offset by a favourable product mix in the Filtration and Adsorption business at the beginning of the year. The -2.2% translation effect corresponded mostly to the strengthening of the euro versus the US dollar.

EBITDA stood at €150 million against €163 million in 1st half 2013. Following a good start to the year significantly up on the previous year, the 2nd quarter reported a lower performance due to temporary unfavourable factors in polyamide 12. These factors include the large maintenance turnaround in Mont in France (-€7 million EBITDA), increased competitive pressure, and higher negative transaction effect than in the Group's other business segments.

EBITDA margin remained high at 16.2% against 17.6% in 1st half 2013 thanks to solid performances in fluoropolymers, the Filtration and Adsorption activity, and Organic Peroxides.

Industrial Specialties

(In millions of euros)	1st half 2014	1st half 2013	Variations In %
Sales	**1,005**	**1,079**	**-6.9%**
EBITDA	**152**	**218**	**-30.3%**
EBITDA margin (%)	**15.1%**	**20.2%**	
Recurring operating income	**93**	**161**	**-42.2%**

The performance of the **Industrial Specialties** segment was, as expected, impacted by challenging market conditions in fluorogases for refrigeration and air-conditioning. Aside from the seasonality effect, these conditions remained stable throughout the 1st half of the year.

Sales reached €1,005 million, 3.7% down on 1st half 2013 at constant scope of business and foreign exchange rate. Volumes rose by 4.2%, in particular in fluorogases where weather conditions in 2nd quarter 2014 were more favourable than in the previous year, and in PMMA supported by the recovery in European automotive. Nevertheless, this increase did not offset a -7.9% price effect due essentially to lower prices and an unfavourable product mix in fluorogases. The -1.1% business scope effect corresponds to a change in the consolidation method used for certain joint ventures. The -2.0% translation effect corresponds mostly to the strengthening of the euro versus the US dollar.

EBITDA stood at €152 million (€218 million in 1st half 2013), and EBITDA margin at 15.1%. This lower performance than the previous year reflects lower results in fluorogases compared to the high basis of comparison of 1st half 2013 as well as the impact, in 2nd quarter, of the maintenance turnaround in Thiochemicals in Beaumont (United States) estimated at -€5 million. Thiochemicals and PMMA reported a solid performance in 1st half. The performance of the segment in 2nd quarter improved over 1st quarter thanks to more favourable seasonality and despite the impact of the maintenance turnaround in Beaumont.

Coating Solutions

(In millions of euros)	1st half 2014	1st half 2013	Variations In %
Sales	**1,102**	**1,164**	**-5.3%**
EBITDA	**144**	**161**	**-10.6%**
EBITDA margin (%)	**13.1%**	**13.8%**	
Recurring operating income	**98**	**116**	**-15.5%**

Following a good start to the year supported by positive momentum in the decorative paint market, growth in volumes slowed in 2nd quarter. Hence, unlike 1st quarter and the Group's assumption for the full year, volumes, below expectations, were not able to fully offset the anticipated lower unit margins in acrylic monomers.

Sales stood at €1,102 million against €1,164 million in 1st half 2013, 2.7% up at constant scope of business and foreign exchange rate, and excluding the impact of the shutdown of the Chauny site in France, effective in 1st quarter 2014. Excluding Chauny, volumes grew by 3.3%. Demand in decorative paints and construction was lower than expected in the United States, where no catching-up occurred after a harsh winter, but improved gradually in Europe. In this context, the contribution of organic growth projects remained limited in 1st half of the year, but should improve in 2nd half in particular with the start-up of the methyl acrylate plant at end of June. Prices were slightly below those of 1st half 2013 (-0.6%). The translation effect stood at -2.5%, while the -1.9% consolidation scope effect was due to the coating resins companies currently being divested in South Africa being removed from the consolidation basis.

EBITDA stood at €144 million against €161 million in 1st half 2013. Volumes together with productivity efforts partly offset the impact of unfavourable foreign exchange rates and unit margins below those of 1st half 2013 in acrylic monomers (acid and esters). In this activity, which represents 14.5% of the Group's overall sales, unit margins currently stand between the middle and the lower end of the cycle. This situation, which should continue until the end of the year, is consistent with the assumption adopted by the Group for full year 2014.

EBITDA margin at 13.1% confirms the segment's resilience in less favourable market conditions.

Cash flow

In 1st half 2014, ARKEMA generated -€100 million free cash flow[2] against -€16 million in 1st half 2013. This flow includes a -€92 million variation in working capital, which reflects the usual seasonality of working capital related to an increase in sales compared to year-end. The working capital to quarterly sales ratio[3] stood at 17.3%, stable compared to end of June 2013. Free cash flow also includes €203 million capital expenditures including €78 million exceptional capital expenditures related to the construction of the Thiochemicals platform in Malaysia and the finalisation of the investment plan in Lacq (France) designed to secure the site's sulphur feedstock over the next 30 years. Over 2014, capital expenditures should amount to some €450 million.

Net debt

Net debt stood at €1,106 million at 30 June 2014 against €923 million at 31 December 2013. It includes the payment in May of a €1.85 dividend per share, totalling €117 million, as well as the share capital increase reserved for employees totalling €32 million. Net debt was slightly below that at end of June 2013 (€1,150 million at 30 June 2013) despite the evolution in EBITDA and the higher capital expenditure. Gearing stood at 46.6%, down compared to end of June 2013 (49.6%).

[2] Cash flow from operations and investments excluding the impact of portfolio management (for 2013, excluding flows related to Kem One).
[3] Working capital at 30 June divided by 4 times the 2nd quarter sales.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions between companies that are fully consolidated within the Group have been eliminated in the consolidation process. Furthermore, in the normal course of its operations, the Group has business relationships with certain non-consolidated companies or companies recognized under the equity method with non-significant values.

IV. HIGHLIGHTS SINCE 30 JUNE 2014

End of July, ARKEMA announced the start-up of its new 45,000 tonnes plant for the production of methyl acrylate, an acrylic acid derivative used in the manufacture of polymers for water treatment, elastomers and engineering polymers. This investment, on its Clear Lake site in Texas, represents the last phase of a US$110 million investment plan intended to strengthen the Group's position in the US acrylics market.

V. 2014 OUTLOOK

The economic environment in 2nd half should remain in continuity with 2nd quarter 2014, in particular in fluorogases and acrylics. In these conditions, including the expected contribution from structural growth projects, 2014 EBITDA should be close to €800 million.

Beyond this, the Group maintains its targeted growth strategy and should benefit from 2015 onwards from major organic growth projects like the Thiochemicals platform in Malaysia, the contribution of acrylic assets currently being acquired in China and improvements in the oil and gas market.

However, in order to take account of current performance, Arkema is strengthening the control of its fixed and variable costs, over and above its operational excellence programme, with a further optimisation target of some €50 million over the next three years, and will continue to work to reduce the cyclicality of its business profile.

Following a thorough review of each business unit, the Group confirms its mid-term targets (€8bn sales and 16% EBITDA margin). However, their achievement, initially planned for 2016, is now set for 2017 to take into account a more progressive return to normalized conditions. The Group confirms its 2020 targets.

VI. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2013 Reference Document filed with the *Autorité des marchés financiers* ("AMF") on 27 March 2014 under number D.14-0221. This document is available on ARKEMA's website under the heading "Investor Relations" (www.finance.arkema.com) and on the AMF website (www.amf-france.org). Additionally, an update of contingent liabilities, where applicable, is given in a note to the half-year financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2014

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	**1st half 2014**	**1st half 2013**
Sales	(C1&C2)	**3,043**	**3,192**
Operating expenses		(2,495)	(2,549)
Research and development expenses		(77)	(76)
Selling and administrative expenses		(210)	(214)
Recurring operating income *	(C1)	**261**	**353**
Other income and expenses *	(C3)	(32)	(140)
Operating income *	(C1)	**229**	**213**
Equity in income of affiliates		-	3
Financial result		(29)	(27)
Income taxes	(C5)	(75)	(106)
Net income		**125**	**83**
Of which: non-controlling interests		1	1
Net income - Group share	(C4)	**124**	**82**
Earnings per share (amount in euros)	(C6)	*1.96*	*1.31*
Diluted earnings per share (amount in euros)	(C6)	*1.95*	*1.29*
Depreciation and amortization	(C1)	(158)	(154)
EBITDA *	(C1)	419	507
Adjusted net income*	(C4)	156	221
Adjusted earnings per share (amount in euros)	(C6)	*2.47*	*3.53*
Diluted adjusted earnings per share (amount in euros)	(C6)	*2.45*	*3.49*

* see note B18 to the consolidated financial statements at 31 December 2013 – Accounting policies / Main accounting and financial indicators.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	1st half 2014	1st half 2013
Net income	**125**	**83**
Hedging adjustments	(3)	(2)
Other items	-	-
Deferred taxes on hedging adjustments and other items	-	-
Change in translation adjustments	12	1
Other recyclable comprehensive income	**9**	**(1)**
Actuarial gains and losses	(41)	41
Deferred taxes on actuarial gains and losses	7	(16)
Other non-recyclable comprehensive income	**(34)**	**25**
Other comprehensive income	**(25)**	**24**
Total income and expenses recognized directly in equity	**(25)**	**24**
Comprehensive income	**100**	**107**
Of which: non-controlling interests	1	1
Comprehensive income – Group share	**99**	**106**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	**30 June 2014**	**31 December 2013**
ASSETS			
Intangible assets, net	(C7)	978	973
Property, plant and equipment, net	(C8)	1,982	1,943
Equity affiliates: investments and loans		18	17
Other investments		40	52
Deferred tax assets		67	66
Other non-current assets		199	177
TOTAL NON-CURRENT ASSETS		***3,284***	***3,228***
Inventories		921	896
Accounts receivable		936	824
Other receivables and prepaid expenses		147	125
Income taxes recoverable		23	24
Other current financial assets		1	2
Cash and cash equivalents		169	377
TOTAL CURRENT ASSETS		***2,197***	***2,248***
TOTAL ASSETS		**5,481**	**5,476**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		637	630
Paid-in surplus and retained earnings		1,682	1,687
Treasury shares		(1)	(12)
Translation adjustments		19	7
SHAREHOLDERS' EQUITY - GROUP SHARE	(C9)	***2,337***	***2,312***
Non-controlling interests		35	37
TOTAL SHAREHOLDERS' EQUITY		***2,372***	***2,349***
Deferred tax liabilities		63	64
Provisions for pensions and other employee benefits	(C10)	401	361
Other provisions and non-current liabilities	(C11)	393	439
Non-current debt	(C13)	1,202	1,207
TOTAL NON-CURRENT LIABILITIES		***2,059***	***2,071***
Accounts payable		673	687
Other creditors and accrued liabilities		267	256
Income taxes payable		33	19
Other current financial liabilities		4	1
Current debt	(C13)	73	93
TOTAL CURRENT LIABILITIES		***1,050***	***1,056***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,481**	**5,476**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**1st half 2014**	**1st half 2013**
Net income	125	83
Depreciation, amortization and impairment of assets	164	155
Provisions, valuation allowances and deferred taxes	(38)	(24)
(Gains)/losses on sales of assets	5	(4)
Undistributed affiliate equity earnings	5	6
Change in working capital	(92)	(156)
Other changes	5	4
Cash flow from operating activities	**174**	**64**
Intangible assets and property, plant, and equipment additions	(203)	(174)
Change in fixed asset payables	(52)	(25)
Acquisitions of operations, net of cash acquired	(1)	(10)
Increase in long-term loans	(30)	(16)
Total expenditures	(286)	(225)
Proceeds from sale of intangible assets and property, plant, and equipment	4	5
Change in fixed asset receivables	-	-
Proceeds from sale of operations, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	5	-
Repayment of long-term loans	6	14
Total divestitures	15	19
Cash flow from investing activities	**(271)**	**(206)**
Issuance (repayment) of shares and other equity	38	8
Purchase of treasury shares	-	-
Dividends paid to parent company shareholders	(117)	(113)
Dividends paid to minority shareholders	(3)	-
Increase / decrease in long-term debt	(5)	(5)
Increase / decrease in short-term borrowings and bank overdrafts	(20)	191
Cash flow from financing activities	**(107)**	**81**
Net increase/(decrease) in cash and cash equivalents	(204)	(62)
Effect of exchange rates and changes in scope	(4)	1
Cash and cash equivalents at beginning of period	377	360
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**169**	**299**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Shares issued – Number	Shares issued – Amount	Paid-in surplus	Retained earnings	Translation adjustments	Treasury shares – Number	Treasury shares – Amount	Shareholders' equity – Group share	Non-controllin g interests	Shareholders' equity
At 1 January 2014	**63,029,692**	**630**	**868**	**819**	**7**	**(226,974)**	**(12)**	**2,312**	**37**	**2,349**
Cash dividend	-	-	(55)	(62)	-	-	-	(117)	(3)	(120)
Issuance of share capital	667,170	7	31	-	-	-	-	38	-	38
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	14	(25)	-	204,603	11	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	(14)	19	-	-	-	5	-	5
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**667,170**	**7**	**(24)**	**(68)**	**-**	**204,603**	**11**	**(74)**	**(3)**	**(77)**
Net income	-	-	-	124	-	-	-	124	1	125
Total income and expense recognized directly through equity	-	-	-	(37)	12	-	-	(25)	-	(25)
Comprehensive income	**-**	-	-	**87**	**12**	-	-	**99**	**1**	**100**
At 30 June 2014	**63,696,862**	**637**	**844**	**838**	**19**	**(22,371)**	**(1)**	**2,337**	**35**	**2,372**

(In millions of euros)	Shares issued – Number	Shares issued – Amount	Paid-in surplus	Retained earnings	Translation adjustments	Treasury shares – Number	Treasury shares – Amount	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2013	**62,877,215**	**629**	**977**	**610**	**82**	**(314,034)**	**(16)**	**2,282**	**29**	**2,311**
Cash dividend	-	-	(113)	-	-	-	-	(113)	-	(113)
Issuance of share capital	70,958	-	2	-	-	-	-	2	-	2
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(4)	-	87,060	4	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	4	-	-	-	4	-	4
Other	-	-	-	-	-	-	-	-	6	6
Transactions with shareholders	**70,958**	**-**	**(111)**	**-**	**-**	**87,060**	**4**	**(107)**	**6**	**(101)**
Net income	-	-	-	82	-	-	-	82	1	83
Total income and expense recognized directly through equity	-	-	-	23	1	-	-	24	-	24
Comprehensive income	**-**	-	-	**105**	**1**	-	-	**106**	**1**	**107**
At 30 June 2013	**62,948,173**	**629**	**866**	**715**	**83**	**(226,974)**	**(12)**	**2,281**	**36**	**2,317**

A. HIGHLIGHTS

Acquisition

In January 2014 ARKEMA announced the creation of Sunke, a company in which ARKEMA will hold the majority interest and control. This company will comprise the assets of Jurong's acrylic acid production site in Taixing which opened in 2012 and currently has an annual capacity of 320,000 tonnes.
This operation[4] is due to be completed in September 2014, giving ARKEMA access to half of the site's installed production or 160,000 tonnes per year, for a USD 240 million investment. Once a third line is on stream, ARKEMA will have the option to access two thirds of the site's installed acrylic acid capacity, or 320,000 tonnes per year, for an additional investment of USD 235 million. On a full-year basis, the sales revenues from these two lines are estimated at approximately USD 600 million. Finally, ARKEMA has a further option allowing it to acquire the remaining third of the acrylic acid production capacities in the coming 5 years, for the sum of USD 165 million.
The new company will be fully consolidated in ARKEMA's financial statements.

Improving competitiveness

In the Coating Solutions segment, ARKEMA announced in May 2014 that it was planning to stop production of coatings resins at the Stallingborough site in the United Kingdom, leading to the elimination of 58 jobs. Discontinuation of production took effect in July 2014, and as a result an expense of €9 million was recognised in other income and expenses (see note C3 "Other income and expenses").

Other highlights

In April 2014 Arkema successfully carried out its fourth capital increase reserved for employees. 491,502 shares were subscribed at the price of €64.19 per share, for a total of €31.5 million. The portion of capital held by employees is now close to 4.7%.

On 29 May 2014, the US company Golden Gate Capital finalized its takeover of the entire capital of Canada Fluorspar Inc. The transaction price was CAD 0.35 per share, and the operation is reflected in the financial statements of ARKEMA, which previously held 19% of Canada Fluorspar Inc., by recognition of a €6 million loss (see note C3 "Other income and expenses").

[4] This operation requires the authorization of the competent authorities in China and is subject to a certain number of administrative formalities.

B. ACCOUNTING POLICIES

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

Basis for preparation

ARKEMA's condensed consolidated interim financial statements at 30 June 2014 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 31 July 2014.

The condensed consolidated interim financial statements at 30 June 2014 were prepared in compliance with IAS 34 "Interim financial reporting" and established in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and IFRSs newly adopted by the European Union at 30 June 2014. As condensed interim financial statements, they do not incorporate all of the disclosures required in full financial statements and must thus be read in conjunction with the consolidated financial statements for the year ended 31 December 2013.
The accounting framework and standards adopted by the European Union can be consulted on the following website:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Changes in IFRSs and interpretations

The accounting policies applied in preparing the condensed consolidated interim financial statements at 30 June 2014 are identical to those used in the consolidated financial statements at 31 December 2013, except for IFRS standards, amendments and interpretations, as adopted by the European Union and the IASB, that are obligatorily applicable for accounting periods commencing on or after 1 January 2014 (and which had not been applied early by the Group), namely:

Amendments to IAS 32	Offsetting financial assets and financial liabilities
Amendments to IAS 36	Recoverable amount disclosures for non-financial assets
Amendments to IAS 39	Novation of derivatives and continuation of hedge accounting
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition guidance for IFRS 10, IFRS 11 and IFRS 12
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment entities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IAS 27 (Revised)	Separate financial statements
IAS 28 (Revised)	Investments in associates and joint ventures

IFRS 10 replaces the rules for consolidated financial statements laid down in IAS 27 "Consolidated and separate financial statements" and interpretation SIC 12 "Consolidation – special purpose entities".
IFRS 10 defines the principle of control based on 3 criteria only:

- the fact of having power over an investee,
- exposure or rights to variable return on an investee, and
- the ability to use the power over an investee to affect the amount of the investor's returns.

An entity must be consolidated by its parent company when these three criteria are fulfilled.
Application of this standard had no impact for the Group.

IFRS 11 replaces IAS 31, "Interests in joint ventures" and interpretation SIC 13 "Jointly Controlled Entities – Non-Monetary Contributions by Venturers".
This new standard defines the accounting treatment of interests in a joint arrangement (jointly-controlled operation):

- a joint venture (joint arrangement where the parties exercising joint control have rights to its net assets) must be accounted for by the equity method;

- a joint operation (joint arrangement where the parties exercising joint control over an arrangement have rights to the assets and obligations for the liabilities) must be consolidated under a method similar to proportional consolidation.

The Group must refer to several factors in order to classify a joint arrangement:

- its structure,
- when it takes the form of a separate vehicle: the legal form of the vehicle, the terms of the contractual arrangements and other facts and circumstances where relevant.

Assessment of the other facts and circumstances has led the Group to classify a certain number of joint arrangements as joint operations.

Application of IFRS 11 had no significant impact on the Group, as the main joint arrangements (jointly-controlled operations) are classified as joint operations under this standard and were already proportionally consolidated.
Only two companies, Daikin Arkema Refrigerants Asia Ltd and Daikin Arkema Refrigerants Trading Ltd, were previously proportionally consolidated and are now accounted for by the equity method. The impact is non-significant in the Group's financial statements (below 0.4% of the 1st semester sales).

IFRS 12 lists the disclosures required on interests in other entities. The first application of this standard will lead to greater detail in the notes to the annual financial statements.
The application of the other standards, amendments and interpretations did not have any significant impact on the Group's consolidated financial statements.

The standards, amendments or interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force at 1 January 2014 and have not been applied early by the Group, are:

Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	Not adopted by the European Union at 30 June 2014
Amendments to IAS 19	Defined benefit plans: employee contributions	Not adopted by the European Union at 30 June 2014
Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 30 June 2014
Amendments to IFRS 9	Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39	Not adopted by the European Union at 30 June 2014
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	Not adopted by the European Union at 30 June 2014
IFRS 14	Regulatory deferral accounts	Not adopted by the European Union at 30 June 2014
IFRS 15	Revenue from contracts with customers	Not adopted by the European Union at 30 June 2014
IFRIC 21	Levies	Adopted by the European Union on 13 June 2014
	Annual improvements to IFRS cycle 2010-2012	Not adopted by the European Union at 30 June 2014
	Annual improvements to IFRS cycle 2011-2013	Not adopted by the European Union at 30 June 2014

Use of assumptions

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

Impact of seasonality

ARKEMA's standard pattern of business exposes the Group to seasonality effects. Various characteristics contribute to these effects:

• demand for products manufactured by ARKEMA is generally weaker in the summer months (July-August) and in December, notably as a result of the slowdown in industrial activity observed primarily in France and the rest of Europe;

• in some of ARKEMA's businesses, particularly those serving the paints, coatings and refrigeration markets, the level of sales is generally higher in the first half of the year than in the second half;

• major maintenance turnarounds at ARKEMA's production plants have an influence on seasonality.

Seasonality effects observed in the past are not necessarily representative of future trends, but they could have a material influence on the changes in results and working capital between the different quarters of the financial year.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Information by business segment

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

ARKEMA has three business segments: High Performance Materials, Industrial Specialties and Coating Solutions. Two members of the Executive committee supervise these segments; they report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by IFRS 8, and are in regular contact with him for the purpose of discussing their segment's operating activity, financial results, forecasts and plans.

- High Performance Materials includes the following business units: Technical Polymers, Filtration and Adsorption (CECA) and Organic Peroxides. High Performance Materials provide innovative solutions with high value added, used in varied sectors such as transport, oil extraction, renewable energies (photovoltaics, lithium-ion batteries), consumer goods (beauty products, sports equipment, packaging, etc), electronics, construction, coatings and water treatment.
- Industrial Specialties groups the following Business Units: Thiochemicals, Fluorochemicals, PMMA and Hydrogen Peroxides. These integrated industrial niche markets on which ARKEMA is among the world leaders concern products used in several industrial sectors such as production of cold (refrigeration and air conditioning), oil and gas, paper pulp, animal nutrition, electronics and the automotive industry.
- Coating Solutions comprises the following Business Units: Acrylics, Coatings Resins, Rheology Additives (Coatex) and UV-curing resins (Sartomer). This segment proposes solutions for decorative paints, industrial coatings, adhesives and high-growth acrylic applications (superabsorbers for disposable nappies, water treatment, oil and gas extraction).

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

Operating income is allocated between business segments prior to inter segment adjustments. Sales prices between segments approximate market prices.

1st half 2014 *(In millions of euros)*	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	**Total**
Non-Group sales	**925**	**1,005**	**1,102**	**11**	**3,043**
Inter segment sales	7	58	40	-	
Total sales	**932**	**1,063**	**1,142**	**11**	
EBITDA	**150**	**152**	**144**	**(27)**	**419**
Depreciation and amortization	(52)	(59)	(46)	(1)	(158)
Recurring operating income	**98**	**93**	**98**	**(28)**	**261**
Other income and expenses	(4)	(7)	(14)	(7)	(32)
Operating income	**94**	**86**	**84**	**(35)**	**229**
Equity in income of affiliates	-	-	-	-	-
Intangible assets and property, plant, and equipment additions	43	124	34	2	203
- including: Recurring capital expenditure	40	52	31	2	125

1st half 2013 *(In millions of euros)*	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	**Total**
Non-Group sales	**925**	**1,079**	**1,164**	**24**	**3,192**
Inter segment sales	6	52	42	-	
Total sales	**931**	**1,131**	**1,206**	**24**	
EBITDA	**163**	**218**	**161**	**(35)**	**507**
Depreciation and amortization	(51)	(57)	(45)	(1)	(154)
Recurring operating income	**112**	**161**	**116**	**(36)**	**353**
Other income and expenses	(7)	-	(5)	(128)	(140)
Operating income	**105**	**161**	**111**	**(164)**	**213**
Equity in income of affiliates	-	-	-	3	3
Intangible assets and property, plant, and equipment additions	31	85	45	13	174
- including: Recurring capital expenditure	27	35	44	13	119

2 Information by geographical area

Non-Group sales are presented on the basis of the geographical location of customers.

1st half 2014 *(In millions of euros)*	France	Rest of Europe	NAFTA[(1)]	Asia	Rest of the world	**Total**
Non-Group sales	344	936	1,039	596	128	**3,043**

1st half 2013 *(In millions of euros)*	France	Rest of Europe	NAFTA[(1)]	Asia	Rest of the world	**Total**
Non-Group sales	340	981	1,117	611	143	**3,192**

[(1)] NAFTA: United States, Canada, Mexico

3 Other income and expenses

(In millions of euros)	1st half 2014 Expenses	Income	Net	1st half 2013 Expenses	Income	Net
Restructuring and environment	(17)	-	(17)	(6)	-	(6)
Goodwill impairment	-	-	-	-	-	-
Asset impairment (other than goodwill)	-	-	-	-	-	-
Litigation and claims	(4)	-	(4)	(8)	-	(8)
Gains (losses) on sales and purchases of assets	(11)	-	(11)	(128)	2	(126)
Other	-	-	-	-	-	-
Total other income and expenses	**(32)**	**-**	**(32)**	**(142)**	**2**	**(140)**

In the first half of 2014, restructuring and environment expenses include a €9 million expense (of which €5 million correspond to asset impairment) related to the discontinuation of coatings resins production at the Stallingborough site in the United Kingdom. Gains and losses on sales of assets mainly comprise the disposal of shares in Canada Fluorspar Inc.

In the first half of 2013, gains and losses on sales and purchases of assets included €125 million corresponding to the provision established after insolvency proceedings began for Kem One SAS.

4 Adjusted net income

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

(In millions of euros)	Notes	**1st half 2014**	**1st half 2013**
Net income - Group share		**124**	**82**
Other income and expenses	(C3)	32	140
Taxes on other income and expenses		-	(1)
Non-current taxation		-	-
Adjusted net income		**156**	**221**

5 Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	**1st half 2014**	**1st half 2013**
Current income taxes	(70)	(96)
Deferred income taxes	(5)	(10)
Total income taxes	**(75)**	**(106)**

The income tax expense amounts to €75 million at 30 June 2014, including €3 million for the CVAE and €4 million relating to the additional income tax contribution due on distributed income (compared with €106 million at 30 June 2013, including €6 million for the CVAE and €3 million relating to the additional income tax contribution due on distributed income).

6 Earnings per share

	1st half 2014	1st half 2013
Weighted average number of ordinary shares	63,115,022	62,630,259
Dilutive effect of stock options	411,100	485,152
Dilutive effect of free share grants	165,618	286,949
Weighted average number of potential ordinary shares	63,691,740	63,402,359

Earnings per share is determined below:

	1st half 2014	1st half 2013
Earnings per share (€)	1.96	1.31
Diluted earnings per share (€)	1.95	1.29

Adjusted earnings per share is determined below:

	1st half 2014	1st half 2013
Adjusted earnings per share (€)	2.47	3.53
Diluted adjusted earnings per share (€)	2.45	3.49

7 Intangible assets

7.1 Goodwill

	30 June 2014			31 December 2013
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Goodwill	1,074	(411)	663	661

7.2 Other intangible assets

	30 June 2014			31 December 2013
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Patents	136	(111)	25	27
Trademarks	26	(2)	24	24
Software and licences	143	(93)	50	19
Capitalized REACH costs	32	(7)	25	24
Other capitalized research expenses	3	(1)	2	2
Capitalized contracts	223	(144)	79	85
Asset rights	40	(5)	35	36
Other intangible assets	21	(10)	11	10
Intangible assets in progress	64	-	64	85
Total	**688**	**(373)**	**315**	**312**

8 Property, plant and equipment

(In millions of euros)	30 June 2014 Gross book value	Accumulated depreciation and impairment	Net book value	31 December 2013 Net book value
Land and buildings	1,351	(886)	465	457
Complex industrial facilities	3,083	(2,382)	701	643
Other property, plant and equipment	1,826	(1,406)	420	441
Construction in progress	396	-	396	402
Total	**6,656**	**(4,674)**	**1,982**	**1,943**

9 Shareholders' equity

At 30 June 2014 Arkema's share capital amounts to €637 million, divided into 63,696,862 shares with a nominal value of 10 euros.

- ***Changes in share capital***

On 23 April 2014, the Group carried out a capital increase reserved for employees: 491,502 shares were subscribed at the price of €64.19 per share, the price set by the Board of Directors at its meeting of 3 March 2014.
After 175,668 stock options were exercised, the Company increased its capital by €2 million on 30 June 2014.

- ***Treasury shares***

The Company did not buy back any treasury shares during the first half of 2014.
In May 2014, ARKEMA definitively granted 204,603 free shares to employees in application of plans 2010-2, 2011-2 and 2012-1.

- ***Dividends***

The shareholders' general meeting of 15 May 2014 adopted a resolution proposing to distribute a dividend of €1.85 per share in respect of the 2013 financial year, or a total amount of €117 million. This dividend was paid on 22 May 2014.

10 Provisions for pensions and other employee benefits

(In millions of euros)	**30 June 2014**	**31 December 2013**
Pension obligations	303	269
Healthcare and similar coverage	50	46
Post-employment benefits	**353**	**315**
Long service awards	45	42
Other long-term benefits	3	4
Other long-term benefits	**48**	**46**
Provisions for pensions and other employee benefits	**401**	**361**

The discount rates used by ARKEMA are as follows:

Pension obligations, healthcare and similar coverage	Europe (excl. UK)	UK	USA
At 30 June 2014	2.30%	4.20%	4.30%
At 31 December 2013	3.20%	4.50%	4.85%

The present value of defined benefit obligations at the end of 2013 has been adjusted at 30 June 2014 on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2013 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets has also been reassessed on the basis of new valuations at 30 June 2014. The change in discount rates and the revaluation of assets are included in actuarial gains and losses for the period.

The change in net provisions for post-employment benefits over the first half-year is as follows:

(In millions of euros)	Pension obligations	Healthcare and similar coverage	**Total post-employment benefits**
Net liability (asset) at 1 January 2014	**264**	**46**	**310**
Provision recognized in liabilities	269	46	315
Amount recognized in assets	(5)	-	(5)
Operating expense for the period	5	1	6
Net interest expense	5	0	5
Net contributions and benefits paid by the employer	(11)	(1)	(12)
Other	-	-	-
Actuarial gains and losses recognized in shareholders' equity	37	4	41
Net liability (asset) at 30 June 2014	**300**	**50**	**350**
Provision recognized in liabilities	303	50	353
Amount recognized in assets	(3)	-	(3)

11 Other provisions and other non-current liabilities

11.1 Other non-current liabilities

Other non-current liabilities amount to €41 million at 30 June 2014 as against €42 million at 31 December 2013.

11.2 Other provisions

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2014	**171**	**50**	**176**	**397**
Increases in provisions	-	6	9	15
Reversals from provisions utilized	(5)	(11)	(44)	(60)
Reversals of unutilized provisions	-	-	(1)	(1)
Changes in scope	-	-	-	-
Translation adjustments	1	-	-	1
At 30 June 2014	**167**	**45**	**140**	**352**

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

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 30 June 2014	**167**	**45**	**140**	**352**
Portion of provisions covered by receivables or deposits	**30**	**-**	**5**	**35**
Deferred tax asset related to amounts covered by the Total indemnity	17	-	0	17
Provisions at 30 June 2014 net of non-current assets	**120**	**45**	**135**	**300**
For information: Provisions at 1 January 2014 net of non-current assets	**122**	**50**	**170**	**342**

11.2.1 *Provisions for environmental contingencies*

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

- in France for €83 million (€84 million at 31 December 2013),
- in the United States for €64 million (€67 million at 31 December 2013), of which €47 million in respect of former industrial sites covered 100% by the Total group indemnity (receivable recognized in "other non-current assets" for an amount of €30 million and €17 million of deferred taxes) (see note C15.2 "Off-balance sheet commitments / Commitments received").

11.2.2 *Restructuring provisions*

Restructuring provisions are mainly in respect of restructuring measures in France for €38 million (€46 million at 31 December 2013).

11.2.3 *Other provisions*

Other provisions amount to €140 million and mainly comprise:

- provisions for labour litigation for €42 million (€39 million at 31 December 2013),
- provisions for commercial litigation and warranties for €31 million (€40 million at 31 December 2013),
- provisions for tax litigation for €20 million (€20 million at 31 December 2013),
- provisions for other risks for €47 million (€77 million at 31 December 2013).

12 Liabilities and contingent liabilities

Liabilities and contingent liabilities are described in note C20 of the consolidated financial statements at 31 December 2013. There was no development in liabilities and contingent liabilities during the first half of 2014 with an actual or potential significant effect on the Group's consolidated financial statements.

The arbitration proceedings initiated by Klesch against Arkema in connection with the sale of the vinyls activity are expected to end during the first half of 2015.

13 Debt

13.1 Analysis of net debt by category

Group net debt amounts to €1,106 million at 30 June 2014, taking account of cash and cash equivalents of €169 million. It is mainly denominated in euros.

(In millions of euros)	**30 June 2014**	**31 December 2013**
Bonds	1,137	1,138
Finance lease obligations	2	2
Bank loans	49	53
Other non-current debt	14	14
Non-current debt	**1,202**	**1,207**
Finance lease obligations	0	0
Syndicated credit facility	-	-
Commercial paper	-	-
Other bank loans	48	65
Other current debt	25	28
Current debt	**73**	**93**
Debt	**1,275**	**1,300**
Cash and cash equivalents	169	377
Net debt	**1,106**	**923**

Bonds

At 30 June 2014, the fair values of the bonds issued by the Group are as follows:

- €549 million for the €500 million bond,
- €543 million for the €480 million bond,
- €159 million for the €150 million bond (issued as Euro Medium Term Notes (EMTN)).

Securitization of sales receivables

The securitization programme is in use for an amount of €2 million at 30 June 2014.

13.2 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	**30 June 2014**	**31 December 2013**
Euros	1,176	1,195
US dollars	7	7
Chinese Yuan	80	81
Other	12	17
Total	**1,275**	**1,300**

13.3 Analysis of debt by maturity

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

(In millions of euros)	**30 June 2014**	**31 December 2013**
Less than 1 year	96	120
Between 1 and 2 years	56	55
Between 2 and 3 years	57	55
Between 3 and 4 years	567	557
Between 4 and 5 years	29	46
More than 5 years	683	701
Total	**1,488**	**1,534**

14 Share-based payments

14.1 Stock options

The Board of Directors has decided not to introduce any further stock option plans.

Movements in the stock option plans granted in previous years and still outstanding at 30 June 2014 are as follows:

	Plan 2006	**Plan 2007**	**Plan 2008**	**Plan 2010-1**	**Plan 2010-2**	**Plan 2011-1**	**Plan 2011-2**
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**
- to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250
- to the 10 largest beneficiaries *	181,000	217,000	169,350	104,000	104,000	75,750	75,750
Total number of options exercised	**511,400**	**496,352**	**300,985**	**83,363**	-	-	-
- by corporate officers	55,000	60,000	48,000	-	-	-	-
- by the 10 largest beneficiaries *	181,000	188,000	85,200	60,325	-	-	-
Total number of options cancelled	15,900	22,800	18,877	7,000	7,000	-	-
Number of options							
In circulation at 1 January 2014	22,800	153,198	194,478	173,515	218,000	105,000	105,000
Granted	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-
Exercised	10,100	72,350	54,340	38,878	-	-	-
In circulation at 30 June 2014	**12,700**	**80,848**	**140,138**	**134,637**	**218,000**	**105,000**	**105,000**

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

The amount of the IFRS 2 expense recognized in respect of stock options at 30 June 2014 is below €0.5 million (also below €0.5 million at 30 June 2013).

14.2 Free share grants

No new free share plan was adopted by the Board of Directors during the first half of 2014.

Movements in the free share grant plans awarded in previous years and still in force at 30 June 2014 are as follows:

	Plan 2010-2	Plan 2011-2	Plan 2011-3	Plan 2012-1	Plan 2012-2	Plan 2012-3	Plan 2013
Number of free shares granted	**50,795**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	**250,000**
- to corporate officers: Thierry Le Hénaff	-	8,200	-	13,000	13,000	-	26,000
- to the 10 largest beneficiaries *	8,100	24,450	14,850	36,100	36,100	16,400	75,400
Number of free shares							
In circulation at 1 January 2014	47,619	57,825	50,925	100,505	73,575	64,640	250,000
Granted	-	-	-	-	-	-	-
Cancelled	1,071	-	1,070	275	125	1,190	1,825
Definitively granted	46,548	57,825	-	100,230	-	-	-
In circulation at 30 June 2014	**0**	**0**	**49,855**	**0**	**73,450**	**63,450**	**248,175**

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

The amount of the IFRS 2 expense recognized in respect of free shares at 30 June 2014 is €4 million (€4 million at 30 June 2013).

14.3 Capital increase reserved for employees

In application of the Group's employee share ownership policy, ARKEMA offered its employees the opportunity to subscribe to a capital increase reserved for employees at the subscription price of €64.19 per share. This price corresponds to the Arkema share's average opening price on the Paris stock exchange over the 20 trading days preceding the Board of Directors' meeting of 3 March 2014, less a 20% discount.

The shares subscribed must be retained for a period of 5 years, except in the United States where the required retention period is 3 years.

The employees subscribed a total 491,502 shares, and the capital increase was recorded on 18 April 2014 and became definitive on 23 April 2014.

As part of the same operation, Arkema shares were offered to Group employees located outside France through a free share grant plan awarding one free share for every five shares subscribed, up to a maximum 20 free shares. At its meeting of 6 May 2014, the Board of Directors recorded grants of 3,619 free shares to employees in Italy and Spain, and 12,749 free shares to employees in all other countries outside France. These grants will only be definitive after a vesting period of 3 and 4 years respectively.

Valuation method

In compliance with the method recommended by France's national accounting standards authority (*Autorité des Normes Comptables*), the valuation of the cost of not being able to sell the shares for five years is based on the cost of a two-step strategy assuming that these shares will ultimately be sold, and that the same number of shares will be purchased and settled immediately, financed by a loan. The rate used for the loan is the rate that a bank would grant to a private individual presenting an average risk profile for a 5-year consumer loan (or a 3-year loan for an employee located in the United States).

The fair values of the shares subscribed in France and outside France have been calculated separately in order to reflect grants of free shares to Group employees established outside France.

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:

Country of subscription	France	United States	Italy and Spain	All other countries
Date of the Board meeting which decided on the capital increase	3 March 2014	3 March 2014	3 March 2014	3 March 2014
Share price at the date of the Board meeting (€)	78.04	78.04	78.04	78.04
Risk-free interest rate (at 3 March 2014)*	0.96%	0.70%	2.24%	1.42%
Interest rate on borrowings**	6.50%	11.00%	10.50%	8.00%
Cost of not being able to sell the shares	22.57%	26.81%	32.67%	27.04%

** Risk-free interest rate on 5-year borrowings, except for the United States (3 years)*

*** 5-year borrowings, except for the United States (3 years)*

On the basis of the share price at the date of the Board meeting, the benefit granted represents a value of €8 million. As the cost of not being able to sell the shares, calculated using the above parameters, is roughly equivalent to this amount, no expense has been recognized in the income statement.

15 Off-balance sheet commitments

15.1 Commitments given

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

The main commitments given are summarized in the table below:

(In millions of euros)	**30 June 2014**	**31 December 2013**
Guarantees granted	76	81
Comfort letters	-	-
Contractual guarantees	9	15
Customs and excise guarantees	14	14
Total	**99**	**110**

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

15.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, ARKEMA signs multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods initially of 1 to 30 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.

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

The total amount of the Group's financial commitments amounts to €495 million at 30 June 2014 (see maturity schedule below).

(In millions of euros)	**30 June 2014**	**31 December 2013**
2014	159	213
2015	76	79
2016	69	72
2017	55	58
2018 until expiry of the contracts	136	129
Total	**495**	**551**

- Lease commitments

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

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

	30 June 2014		**31 December 2013**	
(In millions of euros)	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2014	-	9	0	20
2015	0	17	0	19
2016	0	16	0	17
2017	0	13	1	10
2018 and beyond	1	48	1	16
Nominal value of future lease payments	**2**	**103**	**2**	**82**
Finance cost	0	NA	0	NA
Present value	**2**	**NA**	**2**	**NA**

NA: not applicable

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

Warranties related to sales of businesses

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

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by ARKEMA is €92 million at 30 June 2014 (€96 million at 31 December 2013). This amount is stated net of provisions recognized in the balance sheet in respect of such warranties.

15.1.4 Off-balance sheet commitments related to Group financing

These commitments are described in note C21 to the consolidated financial statements at 31 December 2013 - Debt.

15.2 Commitments received

Commitments received from TOTAL in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described in the notes to the consolidated financial statements for the year ended 31 December 2013 (note C29.2 "Commitments received").

16 Subsequent events

None.

D. SCOPE OF CONSOLIDATION AT 30 JUNE 2014

No change in scope significantly affecting the consolidated financial statements took place during the first half of 2014.

DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

I certify that, to the best of my knowledge, the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all its consolidated companies, and that the half-year activity report includes a fair review of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the major transactions between related parties, and a description of the main risks and uncertainties for the remaining six months of the financial year.

Colombes, August 5th 2014.

Thierry Le Hénaff
Chairman and CEO

KPMG Audit
Département de KPMG S.A.
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Commissaire aux Comptes
Membre de la Compagnie Régionale
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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la Compagnie Régionale
de Versailles

Arkema S.A.

Statutory Auditors' Review Report

On the first half-year
Financial information for 2014

(free translation of the French original)

January 1st to June 30th 2014

Arkema S.A.
420, rue d'Estienne d'Orves - 92700 Colombes

This is a free translation into English of the statutory auditors' review report on the half-year consolidated financial statements issued in the French language and is provided solely for the convenience of English-speaking readers. This report also includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

Arkema S.A.

Registered office: 420, rue d'Estienne d'Orves - 92700 Colombes
Share capital: €.636,968,620

Statutory Auditor's Review Report on the first half-year financial information for 2014 (free translation of the French original)

January 1st to June 30th 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meetings, and in accordance with requirements of article L.451-1-2 III of the French Monetary and Financial code (Code Monétaire et Financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Arkema S.A. for the period January 1st to June 30th 2014,and
- the verification of information contained in the half-year management report.

These condensed half-year consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared in all material respects- in accordance with IAS 34 - standard of the IFRS as adopted by the European Union applicable to interim financial information.

II. Specific verification

We have also verified the information presented in the half-year management report in respect of the condensed half-year consolidated financial statements subject of our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris La Défense, July 31 2014

The Statutory Auditors

French original signed by

KPMG Audit		ERNST & YOUNG Audit
Département de KPMG S.A.		
Jacques-François Lethu	François Quédiniac	Valérie Quint
Partner	*Partner*	*Partner*