ARKEMA

The world is our inspiration

Half year financial report

1st half 2008

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HALF-YEAR ACTIVITY REPORT

I. HIGHLIGHTS OF THE FIRST HALF OF THE YEAR

1. Main self-help projects announced in the first half of 2008

During the first half of the year, Arkema announced new productivity and growth projects, confirming thereby its willingness to actively pursue the implementation of its strategy and its transformation.

In February 2008, Arkema announced the reorganisation of the Human Resources and Accounting functions of its French subsidiary Arkema France with the creation of two dedicated Shared Services Centers with a view to streamlining the organization and improving the productivity and responsiveness of services. The progressive implementation of the new organization will take place between June 2008 and October 2008. It will result in the redeployment of 132 positions from the existing sites to the two Shares Services Centers and the net loss of 30 positions.

In the restructuring process which has taken place since 2006 in its Performance Products segment, Arkema announced, in April 2008, the shutdown of the production of methacrylic-butadiene-styrene (MBS) impact modifiers at its American site in Axis (Alabama) in order to concentrate its worldwide production in Europe at the Vlissingen facility in the Netherlands. This reorganization should result in an annual cost reduction in the order of 3.2 million euros from the first of implementation.

Finally, in June 2008, Alphacan, a subsidiary of Arkema which specializes in Pipes and Profiles announced a plan to optimize its structures and reduce its operating costs. This plan entails the rationalization of the support functions at the company's headquarters and at its French production plant in Gaillac leading to a reduction of 29 positions.

The gains resulting from the implementation of these new initiatives will contribute to Arkema's objectives to reduce its fixed costs by 500 million euros in 2010 compared to 2005, thus resulting in an improvement in EBITDA estimated to 200 million euros.

During the first half of the year, Arkema finalized acquisitions to reinforce its best product lines and its downstream integration.

On February 29, 2008, Arkema finalized the acquisition of the PMMA business from Repsol YPF. This business that will be integrated to its PMMA business unit will enable Altuglas International, a subsidiary of Arkema, to consolidate its ranking as a European leader in acrylic sheet. This business, split between the industrial sites of Bronderslev in Denmark and Polivar in Italy, achieves annual sales of around 30 millions euros.

In April 2008, Arkema announced the acquisition by its subsidiary CECA (Specialty Chemicals) of the « Activated Carbon and Regeneration » business from the company SNF Italia representing annual sales of around 4 million euros in the environment market. This acquisition will enable CECA to consolidate its leading ranking in Southern European in the activated carbon business for the environment, in particular the treatment of water and air.

In June 2008, Arkema announced the acquisition by its subsidiary Coatex (Specialty Acrylic Polymers) of LyondellBasell's Ethacryl business. This business generates annual sales of around 4 million euros. It will enable Coatex to strengthen its know-how in the concrete and plaster additives markets and speed up its global growth.

Finally, Arkema continues actively to prepare the long term with the announcement of new growth projects.

Arkema announced in March 2008 the doubling of its hydrogen peroxide production capacity at its Leuna site in Germany to 80,000 tonnes per year by mid-2010. This capacity increase correspond to an investment of around 40 millions euros. It will enable Arkema to reinforce its position among the worldwide leader in hydrogen peroxide with competitive and world-class facilities in each geographical area.

In May 2008, Altuglas International, a subsidiary of Arkema, announced a project to expand the capacity of its compounding unit at Bristol (Pennsylvania) to meet growing demand on the American continent for its Plexiglas® acrylic resin and acrylic capstock products.

Finally, Arkema started-up, in the first quarter, a capacity extension of over 2,000 tonnes a year for Kynar® PVDF at its Amercian site of Calvert City.

Moreover, Arkema signed an agreement, effective April 1st, 2008 with Sumitomo Seika, one of the world leading producers of superabsorbant polymers. According to this agreement, Arkema will supply the acrylic acid produced at its Carling site (France) and will continue to manufacture superabsorbants, the going-concern of this business, representing annual sales of around 20 million euros, being sold Sumitomo Seika.

2. Other highlights

During the first half of 2008, Arkema launched several initiatives in numerous areas and announced various projects especially to reduce its greenhouse gas emissions or to develop the share ownership among its employees.

Project to reduce greenhouse gas emissions

On April 15, 2008, Arkema announced a plan to reduce greenhouse gas emissions from its Forane® 22 production plant at the Changshu industrial facility in China. Once the incinerator has been commissioned and certified by a specialized committee of the United Nations (UNFCCC), the plan should give rise to an annual allowance of 3.4 million tonnes of certified emission reductions (CER, or carbon credits).

Genesis program

In June 2008, the European Commission gave its green light for the funding, up to 46 millions euros by a French public body (OSEO), of the Genesis program. This program coordinated by Arkema and amounting to to a total cost of 107 million euros will open the way for the development in Europe of an innovative and competitive sector in nanostructured materials. It will especially enable Arkema, a leader in the nanostructured materials and only European producer of functional copolymers with controlled architecture, to speed up the industrial development of nanostructured materials in direct cooperation with the relevant user sectors (automotive, cable, structural composites, energy, environment as well as information and communication technologies).

Capital increase reserved to employees

In order to closely associate its employees with the Group’s development, Arkema carried out a capital increase reserved to employees at a subscription price set, by the Board of Directors meeting on March 4, 2008, at 30.42 euros by share. This operation resulted in the subscription of 618,462 shares for a total amount of 19 million euros, representing more than 1% of share capital.

Share buy-back

During the first quarter 2008, the company bought back 300,830 shares for a total amount of 10.4 million euros. These shares were allocated for the purpose of covering the 2007 and 2008 free share allocation plans.

During the second quarter 2008, the company bought back 14,750 shares for a total amount of 0.5 million euros .

Decision from the European Commission regarding past anti-trust practices

In June 2008, the European Commission ordered Arkema France and its former parent company Elf Aquitaine to pay a fine of 59 million euros relating to past anti-trust practices in the sodium chlorate market. This fine does not have an impact on Arkema’s results considering both the provisions already booked and the warranty mechanism agreed with Total on the occasion of the spin-off.

This decision will be appealed within the allowed timeframe to the Court of First Instance of the European Communities.

II. ANALYSIS OF FINANCIAL RESULTS FOR THE FIRST HALF OF 2008

(In millions of euros)	1st half 2007	1st half 2008	Variations In %
Sales	**2,977**	**3,001**	**+0.8%**
EBITDA	**284**	**317**	**+12%**
Recurring operating income	**177**	**197**	**+11%**
Other income and expenses	-79	-10	
Operating income	**98**	**187**	**x1.9**
Adjusted net income	**119**	**140**	**+18%**
Net income – *group share*	**67**	**132**	**x2.0**
CAPEX	**108**	**103**	**-5%**
Net debt *(vs. 12/31/07)*	**459**	**592**	**+29%**

Sales

In the first six months of 2008, Arkema's sales are up 0.8 % to 3,001 million euros against 2,977 million euros in the first half of 2007. Excluding the conversion effect mainly related to the weakening of the US dollar versus euro (-4.3 %) and the changes in the scope of perimeter (-1.2%), sales increased by 6.3%. This improvement results mainly from a strong rise in average sale prices in Industrial Chemicals and Performance Products segments (+5.7 %) while volumes increased slightly (+0.6%).

EBITDA

EBITDA is up 12% from 284 million euros in the first six months 2007 to 317 million euros in the first half 2008. This improvement reflects the contribution of new products to the results of Industrial Chemicals and Performance Products segments and the benefits from productivity initiatives launched especially on the site of Pierre-Bénite and at the headquarters in France. Over the first half of the year, self-help initiatives, which should result in an EBITDA gain of 80 million euros in 2008, compensated fully for the impact of a tougher economic environment especially in Vinyl Products and the impact of the conversion effect related to the weakening of the US dollar versus euro estimated to –19 million euros on the first half of the year. Portfolio management has had little impact of the result.

Arkema generated an EBITDA margin of 10.6% of sales for the first half of the year against 9.5% on the first half of 2007 and 7.9% over the first half of 2006.

Recurring operating income

Recurring operating income amounts to 197 million euros against 177 million euros on the first half of 2007, up 11% in line with the EBITDA improvement. It includes higher depreciations and amortizations totalling 120 million euros (compared to 107 million euros in the first six months of 2007) following start-ups of new units.

Operating income

Operating income is up 89 million euros from 98 million euros in the first six months of 2007 to 187 million euros in the first half of 2008. It includes other income and expenses for a total amount of –10 million euros (against –79 million euros in the first half 2007) relating to the costs of restructuring plans for an amount of–22 million euros and a net capital gain of 12 million euros on the sale of buildings in the Paris area.

Net income, group share

Net income, group share, is multiplied by 2 increasing from 67 million euros to 132 million euros in the first half 2008. It includes income taxes of 43 million euros (against 40 million euros in the first six months 2007), i.e. a taxation rate compared to the recurring operating income of 22% (23% In the first six months of 2007). In the first half of 2007, the net income, group share included 18 million euros net income from discontinued activities corresponding to the capital gain generated by the sale of the agrochemicals business (Cerexagri).

Segments' performance

Vinyl Products sales are up 4.5% at 784 million euros against 750 million euros in the first half 2007, mainly supported by a strong demand in caustic soda and correct volumes for PVC in Europe in the second quarter with variations from one country to the other. EBITDA amounts to 31 million euros compared to 61 million euros in the first

six months 2007, unit margins being affected by the continuous increase in ethylene and natural gas prices. Productivity efforts in the segment continue to be implemented.

Industrial Chemicals sales increase by 3.7% to 1,357 million euros compared to 1,308 million euros in the first half 2007. Excluding the negative impact of conversion and the positive impact of changes in the scope of perimeter (acquisitions of Coatex and Repsol's PMMA business, and divestitures of specialty amines at Riverview and of superabsorbants), sales increase 7.5%, supported by increases in unit prices. EBITDA increases sharply (+29%) and amounts over the first six months to 190 million euros compared to 147 million euros in the first half 2007. EBITDA margin on sales reached a high level at 14.0% compared to 11.2% in the first half 2007, despite acrylics remaining in low cycle conditions. Progress achieved comes from new developments in Thiochemicals and Fluorochemicals, the successful integration of Coatex (Specialty Acrylic Polymers BU) and productivity initiatives launched since two years especially at Pierre-Bénite (France) in Fluorochemicals, at Lacq (France) in Thiochemicals et at Carling (France) in Acrylics.

Performance Products sales amount to 857 million euros compared to 916 millions euros in the first half 2007. They increased 6.4% at constant conversion rate and perimeter, mainly supported by increases in unit sale prices which compensate for the slight decrease in volumes. EBITDA is up 14% and amounts to 119 million euros. EBITDA margin reachs an historical high at 13.9% compared to 11.4% in the first half 2007 and 9% in the first half 2006. Development in new products in fast growing markets (polyamides, fluoropolymers, molecular sieves…) and productivity initiatives launched especially in polyamides business (Technical Polymers) and in Functional Additives largely contributed to the growth of the segment's results. These initiatives also help compensating for the impact, on the Functional Additives BU results, of the slowdown of the construction market in the United Stated and the increase in tin prices.

Cash flow

Excluding change in working capital, cash flow related to operations amounts to 207 million euros in the first half 2008 compared to 171 million euros in the first half 2007. The change in working capital stood at -128 million euros reflecting the usual seasonality of sales.

Cash flow related to operations and investments in the first half of the year amounts to –81 million euros compared to +132 million euros in the first half 2007 which included proceed from portfolio management operations amounting to +137 million euros.

Net debt

Net debt stood end of June at 592 million euros compared to 459 million euros end of December 2007. It includes the impact of the share capital increase reserved to employees for a total amount of 19 million euros, the payment of the dividend for a total amount of 46 million euros and share buy-back for an amount of 11 million euros.

End of June 2008, the balance of non-recurring pre-spin off items stood at 99 million euros. The ratio between the sum of both items and the shareholders' equity stood at 35% end of June compared to 30% end of December 2007.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in note 16 of the condensed financial statements as at June 30, 2008.

IV. HIGHLIGHTS SINCE JUNE 30, 2008

In July 2008, Arkema, the world leader in the odorization of natural gas and liquefied petroleum gas (LPG), announces the acquisition of Odor-Tech Inc, which specializes in the production, storage and marketing of odorant blends for the gas market. This activity, which reported in 2007 sales approaching US$ 8 million, will bolster Arkema's position in the North American market.

V. 2008 OUTLOOK

The economic environment in the second half of the year should remain challenging and uncertain, characterized, in particular, by high and volatile raw material and energy costs and a weak US dollar versus the euro.

In this context, Arkema will focus on increasing its prices, while continuing to implement self-help initiatives. Self-help initiatives already underway, the impact of which has been estimated for 2008 at €80 million, will underpin EBITDA growth. Furthermore, Arkema will remain attentive to the evolution of the economic environment, and continue to take the necessary measures to adapt accordingly.

Arkema's 2008 target of 10% EBITDA margin is on course. Based on the quality of ongoing projects, the results of the Industrial Chemicals and Performance Products segments should support this improvement in the results. Vinyl Products will continue to be affected by the sharp increase of ethylene.

VI. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties that the group may have to face in the next six months are those described in the group's 2007 reference document filed with the *Autorité des marchés financiers* ("AMF") on April 17, 2008 with the number R.08-026. 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 JUNE 30, 2008

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CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	**Six months ended June 30, 2008**	**Six months ended June 30, 2007**
Sales	(C2&C3)	**3,001**	**2,977**
Operating expenses		(2,525)	(2,520)
Research and development expenses		(79)	(76)
Selling and administrative expenses		(200)	(204)
Recurring operating income	(C2)	**197**	**177**
Other income and expenses	(C4)	(10)	(79)
Operating income	(C2)	**187**	**98**
Equity in income of affiliates		3	1
Financial result		(14)	(9)
Income taxes		(43)	(40)
Net income of continuing operations		**133**	**50**
Net income of discontinued operations	(C5)	**-**	**18**
Net income		**133**	**68**
Of which: minority interests		1	1
Net income - Group share		**132**	**67**
Earnings per share (amount in euros)	(C6)	*2.18*	*1.11*
Diluted earnings per share (amount in euros)	(C6)	*2.17*	*1.10*
Depreciation and amortization	(C2)	(120)	(107)
EBITDA *	(C2)	317	284
Adjusted net income *		140	119

* See note B19 - Accounting policies / Main accounting and financial indicators

CONSOLIDATED BALANCE SHEET

In millions of euros	Notes	June 30, 2008	December 31, 2007
ASSETS			
Intangible assets, net	(C8)	440	460
Property, plant and equipment, net	(C9)	1,497	1,525
Equity affiliates: investments and loans		43	42
Other investments		24	24
Deferred income tax assets		16	18
Other non-current assets	*	127	117
TOTAL NON-CURRENT ASSETS		**2,147**	**2,186**
Inventories	(C10)	1,015	1,017
Accounts receivable		1,151	1,000
Other receivables and prepaid expenses		142	160
Income taxes recoverable	*	11	14
Other current assets		4	1
Cash and cash equivalents		73	58
Total assets of discontinued operations		-	-
TOTAL CURRENT ASSETS		**2,396**	**2,250**
TOTAL ASSETS		**4,543**	**4,436**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		611	605
Paid-in surplus and retained earnings		1,570	1,449
Treasury shares		(11)	-
Cumulative translation adjustment		(210)	(140)
SHAREHOLDERS' EQUITY – Group share	(C11)	**1,960**	**1,914**
Minority interests		20	21
TOTAL SHAREHOLDERS' EQUITY		**1,980**	**1 935**
Deferred income tax liabilities		49	54
Provisions and other non-current liabilities	(C12)	774	833
Non-current debt	(C14)	67	61
TOTAL NON-CURRENT LIABILITIES		**890**	**948**
Accounts payable		737	786
Other creditors and accrued liabilities		299	290
Income taxes payable		32	15
Other current liabilities		7	6
Current debt	(C14)	598	456
Total liabilities of discontinued operations		-	-
TOTAL CURRENT LIABILITIES		**1,673**	**1,553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,543**	**4,436**

* The amounts shown at December 31, 2007 include the effects of the reclassifications described in note C7 “Impact of reclassifications on the published 2007 financial statements”.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros		**Six months ended June 30, 2008**	**Six months ended June 30, 2007**
Net income		133	68
Depreciation, amortization and impairment of assets		128	127
Provisions, valuation allowances and deferred taxes		(31)	29
(Gains)/losses on sales of assets		(25)	(56)
Undistributed affiliate equity earnings		(3)	(1)
Change in working capital	(1) (2)	(128)	(36)
Other changes		5	4
Cash flow from operating activities		**79**	**135**
Intangible assets and property, plant, and equipment additions		(103)	(108)
Change in fixed asset payables	(1)	(42)	(38)
Acquisitions of subsidiaries, net of cash acquired		(13)	(5)
Increase in long-term loans	(2)	(24)	(8)
Total expenditures		(182)	(159)
Proceeds from sale of intangible assets and property, plant, and equipment		27	35
Change in fixed asset receivables		(14)	-
Proceeds from sale of subsidiaries, net of cash sold		-	106
Proceeds from sale of other investments		-	-
Repayment of long-term loans		9	15
Total divestitures		22	156
Cash flow from investing activities		**(160)**	**(3)**
Issuance (repayment) of shares		18	5
Purchase of treasury shares		(11)	-
Dividends paid to parent company shareholders		(46)	-
Dividends paid to minority shareholders		-	-
Increase / decrease in long-term debt		107	(4)
Increase / decrease in short-term borrowings and bank overdrafts		24	(225)
Cash flow from financing activities		**92**	**(224)**
Net increase/(decrease) in cash and cash equivalents		11	(92)
Effect of exchange rates and changes in scope		4	(11)
Cash and cash equivalents at beginning of period		58	171
Cash and cash equivalents of discontinued operations at end of period		-	-
Cash advance granted to discontinued operations		-	-
CASH AND CASH EQUIVALENTS ET END OF PERIOD		**73**	**68**

At June 30, 2008, income taxes paid amounted to €28 million (€16 million at June 30, 2007).

Interest received and paid included in cash flow from operating activities at June 30, 2008 amounted, respectively, to €0.1 million and €13.8 million (€0.1 million and €7 million at June 30, 2007).

(1) (2) The cash flow statement incorporates:

- The reclassification of fixed asset payables from the “Change in working capital” caption to the “Change in fixed asset payables” caption;
- The reclassification of the long-term portion of the research tax credit (RTC) from the “Change in working capital” caption to the “Increase in long-term loans” caption (see note C7 “Impact of reclassifications on the published 2007 financial statements”).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

In millions of euros	Shares issued		Paid-in surplus	Retained earnings	Cumulative translation adjustment	Treasury shares		Shareholders' equity – Group share	Minority interests	Total share-holders' equity
	Number	Amount				Number	Amount			
At January 1, 2007	**60,453,823**	**605**	**1,006**	**307**	**(27)**	-	-	**1,891**	**15**	**1,906**
Cash dividend	-	-	-	-	-	-	-	-	-	-
Issuance of share capital	-	-	-	-	-	-	-	-	5	5
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**
Net income	-	-	-	67	-	-	-	67	1	68
Changes in items recognized directly through equity	-	-	-	3	-	-	-	3	-	3
Actuarial gains and losses	-	-	-	4	-	-	-	4	-	4
Change in translation adjustments	-	-	-	-	(21)	-	-	(21)	(1)	(22)
Other	-	-	-	2	-	-	-	2	-	2
Total recognized income and expenses	**-**	**-**	**-**	**76**	**(21)**	**-**	**-**	**55**	**-**	**55**
At June 30, 2007	**60,453,823**	**605**	**1,006**	**383**	**(48)**	-	-	**1,946**	**20**	**1,966**
Cash dividend	-	-	-	-	-	-	-	-	-	-
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income	-	-	-	55	-	-	-	55	1	56
Changes in items recognized directly through equity	-	-	-	4	-	-	-	4	-	4
Actuarial gains and losses	-	-	-	5	-	-	-	5	-	5
Change in translation adjustments	-	-	-	-	(92)	-	-	(92)	-	(92)
Other	-	-	-	(4)	-	-	-	(4)	-	(4)
Total recognized income and expenses	**-**	**-**	**-**	**60**	**(92)**	**-**	**-**	**(32)**	**1**	**(31)**
At December 31, 2007	**60,453,823**	**605**	**1,006**	**443**	**(140)**	-	-	**1,914**	**21**	**1,935**

In millions of euros	Shares issued		Paid-in surplus	Retained earnings	Cumulative translation adjustment	Treasury shares		Shareholders' equity – Group share	Minority interests	Total share-holders' equity
	Number	Amount				Number	Amount			
At January 1, 2008	**60,453,823**	**605**	**1,006**	**443**	**(140)**	**-**	**-**	**1,914**	**21**	**1,935**
Cash dividend	-	-	-	(46)	-	-	-	(46)	-	(46)
Issuance of share capital	618,462	6	12	-	-	-	-	18	-	18
Purchase of treasury shares	-	-	-	-	-	(315,580)	(11)	(11)	-	(11)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-		-	-	-	-	-	-
Transactions with shareholders	**618,462**	**6**	**12**	**(46)**	**-**	**(315,580)**	**(11)**	**(39)**	**-**	**(39)**
Net income	-	-	-	132	-	-	-	132	1	133
Changes in items recognized directly through equity	-	-	-	5	-	-	-	5	-	5
Actuarial gains and losses	-	-	-	18	-	-	-	18	-	18
Change in translation adjustments	-	-	-	-	(70)	-	-	(70)	(2)	(72)
Other	-	-	-	-	-	-	-	-	-	-
Total recognized income and expenses	**-**	**-**	**-**	**155**	**(70)**	**-**	**-**	**85**	**(1)**	**84**
At June 30, 2008	**61,072,285**	**611**	**1,018**	**552**	**(210)**	**(315,580)**	**(11)**	**1,960**	**20**	**1,980**

A. HIGHLIGHTS

1 Main restructuring plans in the half year

The accounting impacts are presented in the "Other income and expenses" caption (see note C4).

1.1 Restructuring of support functions

In February 2008, ARKEMA announced the reorganization of the Human Resources and Accounting functions of Arkema France, with the creation of two dedicated shared services centers, with a view to simplifying the organization, improving productivity and strengthening the responsiveness and availability of services. This project would result in the redeployment of 132 positions from the existing sites to the two SSCs and would lead to a net headcount reduction of 30.

1.2 Restructuring in the Performance Products segment

In April 2008, ARKEMA announced the shutdown of its production of methacrylic-butadiene-styrene (MBS) impact modifiers at its American site in Axis (Alabama) in order to concentrate its worldwide production at its Vlissingen plant in the Netherlands.

2 Plan to reduce greenhouse gas emissions

On April 15, 2008, ARKEMA announced a plan to reduce greenhouse gas emissions from its Forane® 22 production plant at the Changshu industrial facility in China. Once the incinerator has been commissioned and certified by a specialized committee of the United Nations (UNFCCC), the plan should give rise to an annual allowance of 3.4 million tonnes of certified emission reductions (CER, or carbon credits).

3 Capital increase reserved to employees

In order to closely associate its employees with the Group's development, ARKEMA carried out a capital increase reserved to employees. This operation resulted in the subscription of 618,462 shares for a total amount of €19 million, representing more than 1% of share capital.
Following this operation, the number of shares in ARKEMA's share capital is 61,072,285, of which slightly more than 2% are held by employees (see note C17.3 - Share based payments / Capital increase reserved to employees).

4 Fine related to past anti-trust practices

In June 2008, the European Commission ordered Arkema France and its former parent company Elf Aquitaine to pay a fine of €59 million relating to past anti-trust practices in the sodium chlorate market. This fine does not have an impact on ARKEMA's results considering both the provisions already booked and the warranty mechanism agreed with Total on the occasion of the spin-off.

This decision will be appealed within the allowed timeframe to the Court of First Instance of the European Communities.

B. ACCOUNTING POLICIES

ARKEMA is a global chemical player, with three coherent and related business segments: Vinyl Products, Industrial Chemicals and Performance Products.

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

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

ARKEMA's condensed consolidated interim financial statements at June 30, 2008 were prepared under the responsibility of the Chairman and CEO of Arkema S.A and were approved by the Board of Directors of Arkema SA on August 6, 2008.

The condensed consolidated interim financial statements at June 30, 2008 are prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as endorsed by the European Union at June 30, 2008 and in compliance with IAS 34 "Interim financial reporting". 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 December 31, 2007.

The accounting framework and standards adopted by the European Commission can be consulted on the following internet site: *http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission*.

The accounting policies applied in preparing the consolidated financial statements at June 30, 2008 are identical to those used in the consolidated financial statements at December 31, 2007, 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 January 1, 2008 (and which had not been applied early by the Group), being IFRIC 11. Its application does not have any impact on the Group's consolidated financial statements at June 30, 2008. IFRIC 12, which was adopted by the IASB but not by the European Union, would not have an impact on the Group's consolidated financial statements at June 30, 2008. The impacts of IFRIC 14, which was adopted by the IASB but not by the European Union, are currently being studied. The Group does not expect a material impact on the financial statements.

Furthermore, the impact of the standards or interpretations published respectively by the IASB and the IFRIC (International Financial Reporting Interpretations Committee) which are not yet in force at June 30, 2008, and which

have not been applied early by the Group, such as IFRS 8, IAS 1 as revised, IAS 23 as revised, IFRS 3 as revised, IFRIC 13 and the amendments to IAS 27, IAS 32 and IFRS 2, are currently being analyzed.
In addition, entities, assets and operations over which joint control is exercised are consolidated using the proportionate method since 1 January 2007. As this change in accounting policy was made in the 2nd half of 2007, the impacts on the financial statements at June 30, 2007 would have been a decrease of €14 million on sales and an increase of €4 million on EBITDA.

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

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

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

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

1 Consolidation principles

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method since January 1, 2007.
- Investments in associates over which significant influence is exercised are consolidated under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.
- Shares owned in companies which do not meet the above criteria are included in other investments.

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

2 Foreign currency translation

2.1 Translation of financial statements of foreign companies

The functional operating currency of foreign companies in the scope of consolidation is their local currency, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates at the end of the period; the statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from translation of the financial statements of these subsidiaries are recorded either in "Cumulative translation adjustments" in shareholders' equity in the consolidated financial statements for the Group share or in "Minority interests" for the minority share.

2.2 Transactions in foreign currencies

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

3 Intangible assets

Intangible assets include goodwill, software, patents, trademarks, leasehold rights, development costs and electricity consumption rights. Intangible assets are recognized in the balance sheet at their acquisition or production cost, less any accumulated amortization and impairment losses recognized.

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

3.1 Goodwill and trademarks

Goodwill represents the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the fair value of their net assets and contingent liabilities at the acquisition date. Goodwill is not amortized, in accordance with IFRS 3 "Business combinations". It is subject to impairment tests as soon as any indicators of potential impairment are identified. At a minimum, impairment tests are performed annually. The methodology used for the performance of impairment tests is described in paragraph B5 - Impairment of long-lived assets.
Trademarks with indefinite useful lives are not amortized and are subject to impairment tests.

3.2 Research and development costs

Research costs are recognized in expenses in the period in which they are incurred.

Under IAS 38 "Intangible assets", development costs are capitalized as soon as ARKEMA can demonstrate, in particular:

- its intention and its financial and technical ability to complete the development project;
- that it is probable that future economic benefits attributable to the development costs will flow to the enterprise, which implies being certain of obtaining the required authorization to commercialize the product; and
- that the cost of the asset can be measured reliably.

4 Property, plant and equipment

4.1 Gross value

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

Equipment subsidies are deducted directly from the cost of the assets which they financed. Borrowing costs relating to the acquisition or the construction of items of property, plant and equipment are not capitalized but are rather recognized in expenses in the period in which they are incurred. Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance turnarounds of industrial facilities which take place at intervals of greater than 12 months are capitalized at the time they are incurred and depreciated over the period between two such turnarounds.

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

4.2 Depreciation

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

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

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

5 Impairment of long-lived assets

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

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

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions or, when the asset is to be sold, by comparison with its market value. In 2007, the terminal value was determined on the basis of a growth rate of 1.5%. An after tax rate of 7.5% was used to discount future cash flows and the terminal value in 2007. Any impairment is calculated as the difference between the recoverable amount and the carrying amount of the CGU. Because of its unusual nature, any such impairment is presented separately in the income statement under the "Other income and expenses" caption. Impairment may be reversed, to the maximum carrying amount that would have been recognized for the asset had the asset not been impaired. Impairment recognized on goodwill cannot be reversed under any circumstances. In particular, in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be reversed.

6 Financial assets and liabilities

Financial assets and liabilities are principally comprised of:

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

6.1 Other investments

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

If an objective indicator of impairment in the value of a financial asset is identified (particularly a material long-term decrease in its value), an irreversible impairment loss is recognized, in general, through recurring operating income. Release of such provisions only occurs at the date of disposal of the securities.

6.2 Loans and financial receivables

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

6.3 Accounts receivable

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

6.4 Cash and cash equivalents

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

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

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

6.6 Derivatives

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39.

Changes in the fair value of these derivatives are recognized within operating income, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting under IAS 39. In this case, the effective portion of the change in fair value is recognized in shareholders' equity under the "Changes in items recognized directly through shareholders' equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized immediately in the income statement.

7 Inventories

Inventories are valued in the consolidated financial statements at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost of inventories is generally determined using the weighted average cost (WAC) method.
Cost of chemical products inventories includes raw material and direct labor costs and an allocation of production overheads and depreciation. Start-up costs and general and administrative costs are excluded from the cost of chemical products inventories.

8 Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party; and
- its amount can be estimated reliably and corresponds to the best possible estimate of the commitment. In exceptional cases where the amount of the obligation cannot be measured with sufficient reliability, disclosure is made in the notes to the financial statements in respect of the obligation (See Note C13 – Contingent liabilities).

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

Long-term provisions, other than provisions for pension and similar post-employment benefit obligations, are not discounted as the Group considers that the impact of discounting would not be significant.

9 Pension and similar post-employment benefit obligations

In accordance with IAS 19 "Employee benefits":

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

Post-employment benefits

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

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

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

The Group uses the option provided by the "Actuarial Gains and Losses, Group plans and disclosures" amendment to IAS 19 of December 2004 which enables recognition of actuarial gains and losses directly in shareholders' equity under the "Actuarial gains and losses" caption.

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

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

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

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

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

At interim period ends, expenses relating to pensions and other long-term employee benefits are calculated using an extrapolation of the actuarial valuations performed at the previous year end. These valuations are modified if significant changes have occurred in market conditions since the previous year end or in the case of settlements, curtailments or other material non-recurring events (see note C12.2 Provisions and other non-current liabilities / Provisions).

10 Greenhouse gas emissions allowances

In the absence of an IFRS standard or interpretation relating to accounting for CO2 emissions allowances, the following treatment has been adopted:

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

At this point, allowances allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO2 emissions allowances.

However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the “own use” exception.

11 Recognition of sales

Sales are recognized on transfer to the purchaser of the risks and rewards related to ownership of the goods.

12 Deferred taxes

The Group uses the liability method whereby deferred income taxes are recognized based upon the temporary differences between the financial statement and tax basis of assets and liabilities, as well as on tax loss carry forwards and other tax credits, in accordance with IAS 12 “Income taxes”.
Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the year in which the asset will be realized or the liability settled, on the basis of tax rates (and tax legislation) that have been enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period, unless it relates to items that were previously debited or credited through equity. Deferred tax assets and liabilities are not discounted.
Deferred tax assets are recognized to the extent that their recovery is probable. In order to assess the likelihood of recovery of such assets, account is notably taken of the profitability outlook determined by the Group and of historical taxable profits or losses.
A deferred tax liability is recognized for all taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless:

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

13 Information by segment

Information by segment is prepared on the basis of two separate criteria. The primary criterion is based on the Group’s business segments; the secondary criterion is based on the main geographical areas in which the Group operates.
The financial information for each business segment is reported on the same basis as that used internally by management in assessing segment performance and in allocation of segment resources.
The Group’s activities are conducted through three business segments: Vinyl Products, Industrial Chemicals and Performance Products.

- Vinyl Products include Chlorine/Caustic Soda, PVC, Vinyl Compounds and downstream converting (Pipes and Profiles). They are used in areas such as water treatment, healthcare, hygiene, electronics, sports and leisure and automobile equipment.

- Industrial Chemicals brings together Acrylics, Specialty Acrylic Polymers as from October 1, 2007, PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide. These intermediates are used as raw materials in numerous industrial sectors such as refrigeration, insulation, production of paper pulp, textiles, pharmaceuticals, animal feed, ink and paint, electronics and the automobile sector.

- Performance Products brings together Technical Polymers, Specialty Chemicals, Functional Additives and, up until October 31, 2007, Urea Formaldehyde Resins. Performance Products are used in a variety of sectors from transport to sporting equipment, cosmetics to medical equipment, construction, civil engineering and even electronics.

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

14 Cash flow statements

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

15 Share-based payment

In application of IFRS2 “Share-based payment”, the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors’ meeting.
The fair value of the options is calculated using the Black & Scholes model. It is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.
The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors meeting that decides on the grant, adjusted for dividends not received during the vesting period. It is recognized in personnel expenses on a straight-line basis over the vesting period of the rights.

16 Earnings per share

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

17 Business combinations

The Group uses the purchase accounting method for the recognition of all business combinations entering into the scope of IFRS 3. The cost of a business combination corresponds to the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The Group recognizes, at the acquisition date, the identifiable assets of the acquiree, together with the identifiable liabilities and contingent liabilities assumed, at fair value. Purchased goodwill is recognized as an asset and is initially valued at the excess of the acquisition cost over the acquirer's share in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.
Where the business combination agreement provides for a purchase price adjustment depending on future events, the Group includes the amount of this adjustment in the cost of the business combination at the acquisition date if the adjustment is probable and can be measured reliably.
The Group has a period of 12 months from the acquisition date to finalize accounting for a given business combination.

18 Discontinued operations and non-current assets held for sale

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

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

The Group presents, for the financial year in question, assets and liabilities of continuing operations in the standard manner, to which assets and liabilities of discontinued operations and non-current assets held for sale are added. These latter assets and liabilities are not offset but are rather presented respectively in two specific balance sheet captions. The balance sheet of the previous financial year is not modified.
The Group presents, for the financial year in question and the previous financial year, the income statement of continuing operations in the standard manner, to which a single amount representing the income or loss after tax of discontinued operations is added.
For the two financial years considered, the Group presents the cash flow statement without distinguishing between continuing operations and discontinued operations. Disclosures regarding the cash flows of discontinued operations are nevertheless provided in a specific note to the financial statements.

19 Main accounting and financial indicators

The main performance indicators used are as follows:

- **Operating income**: this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;

- **Other income and expenses**: these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets,
  - certain large restructuring and environmental expenses which would hamper the interpretation of recurring operating income,
  - certain expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations,
  - costs related to the Spin-off of the Arkema Businesses;
- **Recurring operating income**: this is calculated as the difference between operating income and other income and expenses as previously defined;
- **Adjusted net income**: this corresponds to “Net income – Group share” adjusted for the “Group share” of the following items:
  - other income and expenses, after taking account of the tax impact of these items,
  - income and expenses from taxation of an exceptional nature, the amount of which is deemed significant,
  - net income of discontinued operations;
- **EBITDA**: this corresponds to recurring operating income increased by depreciation and amortization (previously called “Recurring EBITDA”);
- **Working capital**: this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses and income tax receivables on the one hand and accounts payable, other creditors and accrued liabilities and income tax liabilities on the other hand;
- **Capital employed**: this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **Net debt**: this is the difference between current and non-current debt and cash and cash equivalents.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Effects of seasonality

Arkema's standard pattern of business shows seasonality effects. Various characteristics contribute to these effects:

- demand for products manufactured by ARKEMA is generally weaker in the summer months (July-August) and in December, notably as a result of the slowdown in industrial activity during these months, particularly in France and in Southern Europe;
- in certain businesses, particularly those serving the refrigeration market, the level of sales is generally higher in the first half of the year than in the second half; and
- annual maintenance shutdowns of production plants occur more often in the second half than in the first half.

These seasonality effects observed in the past are not necessarily representative of future trends, but they can however influence variations in results and in working capital between the different quarters of the financial year.
Revenues from ordinary activities earned in a seasonal, cyclical or occasional manner during a financial year are neither anticipated nor deferred at interim reporting dates unless it would be appropriate to anticipate or defer them at year end.

2 Information by business segment

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

June 30, 2008 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group total**
Non-Group sales	784	1,357	857	3	**3,001**
Inter segment sales	33	75	10	-	
Total sales	**817**	**1,432**	**867**	**3**	
Recurring operating income	**12**	**131**	**77**	**(23)**	**197**
Other income and expenses	(2)	(7)	(4)	3	**(10)**
Operating income	**10**	**124**	**73**	**(20)**	**187**
Equity in income of affiliates	3	-	-	-	**3**
Details of certain non-cash expenses by segment:					
Depreciation and amortization	(19)	(59)	(42)	-	**(120)**
Asset impairment	-	-	-	-	**-**
Changes in non-current provisions recognized through income	9	5	1	4	**19**
EBITDA	**31**	**190**	**119**	**(23)**	**317**
Intangible assets and property, plant, and equipment additions	29	46	27	1	**103**

June 30, 2007 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group total**
Non-Group sales	750	1,308	916	3	**2,977**
Inter segment sales	31	80	10	-	
Total sales	**781**	**1,388**	**926**	**3**	
Recurring operating income	**49**	**96**	**61**	**(29)**	**177**
Other income and expenses	(4)	(51)	(22)	(2)	**(79)**
Operating income	**45**	**45**	**39**	**(31)**	**98**
Equity in income of affiliates	1	-	-	-	**1**
Details of certain non-cash expenses by segment:					
Depreciation and amortization	(12)	(51)	(43)	(1)	**(107)**
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	(3)	(38)	(12)	24	**(29)**
EBITDA	**61**	**147**	**104**	**(28)**	**284**
Intangible assets and property, plant, and equipment additions	32	36	38	2	**108**

3 Information by geographical area

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

June 30, 2008 In millions of euros	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	554	1,232	634	416	165	3,001

June 30, 2007 In millions of euros	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	545	1,213	684	385	150	2,977

(1) NAFTA: United States, Canada and Mexico

4 Other income and expenses

	30.06.2008			30.06.2007		
In millions of euros	**Expenses**	**Income**	**Net**	**Expenses**	**Income**	**Net**
Restructuring and environmental charges	(24)	2	(22)	(80)	-	(80)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	-	-	-	-	-	-
Damages, litigation and claims	(1)	-	(1)	(15)	-	(15)
Gains (losses) on sales of assets	-	13	13	-	16	16
Other	-	-	-	-	-	-
Total other income and expenses	**(25)**	**15**	**(10)**	**(95)**	**16**	**(79)**

The amounts related to discontinued operations are presented in note C5 “Discontinued operations”.

In the first half of 2008, restructuring and environmental charges mainly include restructuring costs in the Vinyl Products segment (€2 million), in the Industrial Chemicals segment (€6 million), in the Performance Products segment (€6 million) and, lastly, in Corporate in respect of the creation of the Human Resources and Accounting Shared Services Center for Arkema France (€8 million).
The Gains (losses) on sales of assets mainly include the sale of the R&D Center in Levallois (France).

In the first half of 2007, restructuring and environmental charges mainly include the French sites of Pierre-Bénite (€48 million), Carling (€6 million) and Doryl at Le Havre (€8 million), together with the sites in Bonn (Germany, €8 million) and Vlissingen (Netherlands, €7 million).
Damages, litigation and claims costs mainly relate to the fire which occurred in May 2007 at Lavera (France).
Gains (losses) on sales of assets mainly include the proceeds on the sale of the land at Tacoma (United States).

5 Discontinued operations

Discontinued operations include the Cerexagri business sold on 1 February 2007.
The Cerexagri business is presented at June 30, 2007 under a single income statement caption “Net income of discontinued operations” including, for 2007, the capital gain on the sale.

Cerexagri income statement	**Consolidated accounts 30.06.08**	**Consolidated accounts 30.06.07**
In millions of euros		
Sales	-	-
Recurring operating income	-	-
Other income and expenses	-	* 18
Operating income	-	**18**
Net income	-	**18**
Minority interests	-	-
Net income – Group share	-	**18**
Depreciation and amortization	-	-
EBITDA	-	-

(*) corresponds to the capital gain made on the sale

6 Earnings per share

The calculation of earnings per share and diluted earnings per share is presented below:

	June 30, 2008	June 30, 2007
Weighted average number of ordinary shares	60,461,195	60,453,823
Dilutive effect of stock options	132,256	143,063
Dilutive effect of free share grants	141,295	96,366
Weighted average number of potential ordinary shares	60,734,746	60,693,252

Earnings per share are calculated as follows:

	June 30, 2008	June 30, 2007
Net income – Group share	132	67
Earnings per share (€)	2.18	1.11
Diluted earnings per share (€)	2.17	1.10
Earnings per share of continuing operations (€)	2.18	0.81
Diluted earnings per share of continuing operations (€)	2.17	0.80

7 Impact of reclassifications on the published 2007 financial statements

These reclassifications relate to asset accounts, and in consequence affect the corresponding cash flow statement captions.

The impacts of these reclassifications are as follows:

In millions of euros	31.12.07 published	Reclassifications		31.12.07 after effects of reclassifications
Other non-current assets	100	17	***(1)***	**117**
Income taxes recoverable	31	(17)	***(1)***	**14**

(1) The long-term portion of the research tax credit (RTC) has been reclassified from the “Income taxes recoverable” caption to the “Other non-current assets” caption.

8 Intangible assets

In the first half of 2008, as in the first half of 2007, the Group did not recognize any impairment on its intangible assets.

9 Property, plant and equipment

In the first half of 2008, capital expenditure on property, plant and equipment amounted to €96 million (€106 million in the first half of 2007). Furthermore, the Group sold and scrapped property, plant and equipment with a gross value of €21 million (€44 million in the first half of 2007).
In the first half of 2008, the Group did not recognize any impairment on its property, plant and equipment other than the approximately €9 million recorded in the context of the restructuring transactions.

10 Inventories

In the first half of 2008, the Group recognized a net increase of €2 million in provisions for impairment of inventories. This compared to a net increase of €3 million in provisions for impairment of inventories in the first half of 2007.

11 Shareholders’ equity

At January 1, 2007, the share capital amounted to €604.5 million and was composed of 60,453,823 shares with a nominal value of 10 euros.

On April 30, 2008, the Group carried out a capital increase reserved to Group employees: 618,462 shares were subscribed at a price of 30.42 euros per share. The price was set by the Board of Directors in its meeting of March 4, 2008. Following this operation, ARKEMA's share capital was increased to €610.7 million divided into 61,072,285 shares.

During the 1st half of 2008, the company bought back 315,580 treasury shares accounted for as a deduction from shareholders' equity.

The shareholders general meeting of May 20, 2008 adopted a resolution proposing to distribute a dividend of 0.75 euros per share, being a total amount of €46 million, in respect of the 2007 financial year.

12 Provisions and other non-current liabilities

12.1 Other non-current liabilities

Other non-current liabilities amount to €30 million at June 30, 2008, compared with €29 million at December 31, 2007.

12.2 Provisions

In millions of euros	Pensions and similar post employment benefit obligations (1)	Litigation and claims (2)	Environmental contingencies	Restructuring	Other (1) (2)	Total
December 31, 2007 published, before reclassifications	261	54	207	113	169	804
Reclassifications	45	(54)	-	-	9	0
At January 1, 2008 after reclassifications	306	-	207	113	178	804
Increases in provisions	10	-	1	12	14	37
Reversals in provisions on use	(14)	-	(7)	(28)	(9)	(58)
Reversals of unused provisions	-	-	(1)	-	(10)	(11)
Changes in scope	-	-	-	-	(3)	(3)
Translation adjustments	(2)	-	(5)	-	(3)	(10)
Other (3)	(16)	-	-	-	1	(15)
Discontinued operations	-	-	-	-	-	-
At June 30, 2008	**284**	**-**	**195**	**97**	**168**	**744**

(1) Provisions for long-service awards have been reclassified from the "Other" column to the "Pensions and similar post employment benefit obligations" column

(2) Provisions for litigation and claims have been reclassified to the "Other" column

(3) The "other" caption comprises the actuarial gains and losses for the period

12.3 Provisions for pensions and similar benefits

At June 30, 2008, provisions for pensions and similar benefits are comprised of pension benefits for €143 million, healthcare plans for €82 million, long-service awards for €44 million and other benefits for €15 million
Furthermore, pension assets amount to €16 million at June 30, 2008.

As the market interest rates on high quality bonds fluctuated materially, ARKEMA retained the following discount rates at June 30, 2008:

	Europe	USA
At June 30, 2008	5.60% - 5.80%	6.30%
At December 31, 2007	5.10% - 5.75%	6.00%

The present value of the defined benefit obligations at the end of 2007 was adjusted, on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2007 closing, to take account of the change in interest rates in the half year. The fair value of plan assets was reassessed on the basis of new valuations at June 30, 2008.

The changes in discount rates and the remeasurement of plan assets have the following effects at June 30, 2008:

In millions of euros	Changes in discount rates	Remeasurement of plan assets
Actuarial gains and losses recognized in shareholders' Equity		
Actuarial gains related to pensions and healthcare plans	30	(12)
Benefit obligations recognized in balance sheet liabilities		
Pensions and other long-term benefits	(39)	20
Income or expenses recognized in the income statement		
Other employee benefits	1	-

12.4 Provisions for environmental contingencies

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

- in France for €95 million.

- in the United States for €72 million, of which €55 million in respect of former industrial sites covered by the indemnity from Total (receivable recognized in "other non-current assets" for an amount of €35 million).

12.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €85 million, in Europe outside France for €8 million and in the United States for €3 million.

12.6 Other provisions

Other provisions are comprised of provisions for removal of asbestos for €14 million and provisions for litigation and claims recognized in respect of European competition law proceedings in progress (provision of €31 million in liabilities less €18 million in "Other non-current assets").

13 Contingent liabilities

13.1 Environment

ARKEMA's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of ARKEMA's liability being called upon, particularly in respect of clean-up of sites and industrial safety.
Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized, ARKEMA's management considers that the environmental liabilities identified at this point are valued and recognized to the best of their knowledge in the financial statements. However if laws, regulations or government policy in respect of environmental matters were to change, ARKEMA's obligations could change, which could lead to additional costs.

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

<u>Sites currently in operation</u>:
ARKEMA has many sites of which a certain number are probably polluted in view of their age and the range of activities that are carried out on them, or that were carried out on them in the past. As regards these sites, certain situations have been identified and ARKEMA has already carried out certain clean-up work, or otherwise developed action plans and recognized provisions in order to cover future clean-up work.
However, in the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. "pump and treat"), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be

higher than the amounts covered by reserves cannot be excluded. These potential excess costs relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands) and Saint-Auban (France) and could adversely affect the Group's business, results and financial condition. As regards the site of Saint-Auban, different legal proceedings brought against Arkema France have been grouped together (merging of proceedings - "*jonction de procédures*") with the Nanterre correctional court. These proceedings are currently under preliminary investigation.

Closed industrial sites (Former industrial sites):

Total has directly or indirectly taken over the closed industrial sites.

13.2 Litigation, claims and proceedings in progress

13.2.1 Antitrust litigation

The Group is involved in a number of proceedings in the United States, Canada and Europe alleging violations of antitrust laws relating to cartel behavior.

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema's Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS, the main terms of which are described in the "Off-balance sheet commitments" note to the consolidated financial statements at December 31, 2007.

The financial risk associated with all proceedings described below is not easily quantifiable.

Based on its analysis of the cases, and taking into account the indemnities granted by Total S.A. (see note C18.2 - Off-balance sheet commitments / Commitments received), the Group has recorded provisions in respect of these proceedings of €31 million (at June 30, 2008), of which €18 million related to the appeals by Arkema France with the Court of First Instance of the European Communities.

Proceedings carried out by the European Commission

In the first half of 2008, the European Commission ordered Arkema France and its former parent company Elf Aquitaine to pay a fine of €59 million in the context of the "sodium chlorate" case, which was initiated in 2004. This decision will be appealed within the allowed timeframe to the Court of First Instance of the European Communities.

As regards the "Heat stabilizers" case, the European Commission is continuing its investigation. No significant development occurred in the first half of 2008.

The proceeding resulting from the appeal made by Arkema France to the Court of First Instance of the European Communities regarding the European Commission's decision in the monochloroacetic acid case led to a request to attend a court session on June 19, 2008. The Court is expected to issue a decision in the months following the court session.

The proceedings resulting from the appeals made by Arkema to the Court of First Instance of the European Communities regarding the European Commission's decisions in the hydrogen peroxide and methacrylates cases are still pending with the court.
No particular developments arose in the first half of 2008 on the legal claim made by Basell Polyolefine in Germany at the end of 2006.

These different events did not lead to any change being made to the overall provision recognized at December 31, 2007.

Proceedings in the United States and Canada

In the class action lawsuits initiated in the United States by direct purchasers of plastic additives against Arkema Inc. and other producers of plastics additives alleging violation of U.S. antitrust laws, the trial court has certified several "sub-classes" composed of purchasers of different categories of plastic additives products. Arkema Inc. has appealed this class certification decision.
Similarly, during the first half of 2008, in the class actions initiated in the U.S against Arkema Inc. and Arkema France, alleging violations of U.S. antitrust laws, the district court certified a single class of direct purchasers of hydrogen peroxide and persalts. Arkema Inc and Arkema France have also appealed that class certification decision. Oral argument on the hydrogen peroxide/persalts class certification appeal took place before the U.S. Court of Appeals for the Third Circuit on April 17, 2008. No decision has yet been issued by that court.
No notable developments arose in the first half of 2008 with respect to Arkema Inc. in the grand jury investigation initiated by the Antitrust Division of the Department of Justice regarding hydrogen peroxide.
Similarly, for the same period, no notable developments occurred with respect to the respective class action civil lawsuits filed by: (a) indirect purchasers of hydrogen peroxide; and (b) indirect purchasers of plastic additives.
In the putative class action involving direct purchasers of methyl methacrylate and polymethyl methacrylate, Arkema Inc. and its codefendants have filed a motion to dismiss the plaintiffs' complaint. No decision on the motion to dismiss has been issued, and no class has been certified.
One group of direct purchasers who have "opted out" of the class action lawsuit in the hydrogen peroxide matter has stipulated and agreed to dismiss their claims against Arkema Inc. and Arkema France in the Unites States without prejudice. There have been no other notable developments in the one other opt-out lawsuit brought by a direct hydrogen peroxide purchaser.
There have been no notable developments in the civil actions filed in Canada alleging violations of Canadian competition laws.

13.2.2 Occupational illness

In the manufacture of its products, the Group uses and has used toxic or hazardous substances. Despite the safety and monitoring procedures that have been instituted at Group level and for each production site, Group employees may have been exposed to such substances and may develop specific pathologies as a result of such exposure.

In this respect, like most industrial companies, in the past, the Group has used a variety of insulating or heat-proofing materials containing asbestos in its production facilities. Consequently, certain employees may have been exposed to such materials before they were gradually eliminated and replaced with substitute products.

At its French sites, the Group anticipated the regulatory provisions applicable to asbestos (Decrees No. 96-97 and 96-98 of February 7, 1996 and Decree No. 96-1133 of December 24, 1996). The Group made an inventory of asbestos-containing building materials within its premises, notified employees of the results of these investigations and took the collective and individual protective measures required by the applicable laws. However, claims for occupational illness related to past asbestos exposure have been filed against the Group, mostly for periods before 1980. Given the latency period of asbestos-related pathologies, a large number of claims for occupational illness are likely to be filed in the years ahead.

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

13.2.3 Other litigation and claims and contingent liabilities

- Arkema France

During the 1st half of 2008, no particular developments arose on either the litigation with Gasco relating to its claim for damages in respect of an alleged breach of contract and breach of an exclusivity agreement or the contingent liability relating to Arkema France’s supply of various products for coating of items used in sanitary treatment facilities.

In 2005, 260 employees and former employees of the Pierre-Bénite site made a claim for damages with the Lyon employee claims court (*Conseils de prud’hommes*) for alleged non-compliance with the terms of the chemicals industry branch agreement. The provisions of this agreement provide workers, technicians and supervisors working at continuously or semi-continuously operating positions for a period in excess of six hours with a thirty minute break during which the employees are released from all work. The claimants consider that, given the manner in which work is organized and structured on this site, the break granted to them does not allow them to be released from all work and to be able to freely go about their personal affairs. They claim that they have suffered a prejudice justifying damages. The claim amounted to €5.2 million. Arkema France contests these claims. A judge has been appointed to reach a decision following the inconclusive decision issued by the Lyon employee claims court on January 19, 2007. A court session was held on March 27, 2008. A judgment issued on June 24, 2008 fully rejected all of the employees’ claims. The employees appealed this decision. A provision has been recognized in the financial statements for an amount that the Group considers adequate.

- CECA

No particular developments arose in the 1st half of 2008 in the litigation opposing CECA and a company called Intradis under which this latter company is seeking to render CECA liable for the pollution on a site which it acquired from CECA.

- Arkema Inc.

No notable developments arose in the first half of 2008 in the proceedings in progress with the IRS civil audit, or in the proceedings in respect of third party claims relating to exposure to asbestos or products containing asbestos.
With respect to the matter involving Arkema Inc. and Norit Americas, Inc., in the context of the latter company's acquisition of an activated carbon production unit, Norit made an indemnity demand of US$7.5 million for alleged non-compliance with the "Clean Air Act" but did not make any statement regarding Arkema Inc.'s claim for the payment of the balance of the price of the production unit yet to be paid by Norit. Provisions have been made for this matter in amounts which the Group considers to be sufficient.
In the case brought by the family of an employee of a transportation company who died during the delivery of an odorizing product, a trial date has been set for September 8, 2008.

14 Debt

Group net debt amounted to €592 million at the end of June 2008, taking account of cash and cash equivalents of €73 million; it is mainly denominated in euros and bears interest at variable rates.
The Group has a multi-currency syndicated credit facility in a maximum amount of €1,100 million, with an initial duration of five years, maturing on March 31, 2011. In February 2007, the credit facility was extended a first time until 31 March 2012, for an amount of €1,094 million. In February 2008, the credit facility was extended a second time until 31 March 2013, for an amount of €1,049 million.

At the end of June 2008, the average interest rate of the syndicated credit facility is approximately 4.54% and the unused amount under the credit facility is €600 million.

14.1 Analysis of net debt by category

In millions of euros	30.06.2008	31.12.2007
Finance lease obligations	16	17
Bank loans	26	15
Other non-current debt	24	29
Non-current debt	**66**	**61**
Finance lease obligations	2	1
Syndicated credit facility	500	405
Other bank loans	86	43
Other current debt	11	7
Current debt	**599**	**456**
Debt	**665**	**517**
Cash and cash equivalents	73	58
Net debt	**592**	**459**

14.2 Analysis of debt by maturity

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

In millions of euros	30.06.2008	31.12.2007
Less than 1 year	603	460
Between 1 and 2 years	5	9
Between 2 and 3 years	5	7
Between 3 and 4 years	5	6
Between 4 and 5 years	21	9
More than 5 years	44	37
Total	**683**	**528**

Amounts maturing in less than 1 year include the current drawings under the syndicated credit facility for an amount of €500 million.

14.3 Analysis of debt by currency

ARKEMA’s debt is mainly denominated in euros.

In millions of euros	30.06.2008	31.12.2007
Euros	595	465
US Dollars	17	20
Chinese Yuan	40	22
Korean Won	8	5
Other	5	5
Total	**665**	**517**

15 Management of risks related to financial assets and liabilities

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

15.1 Foreign currency risk

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

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

The fair value of forward foreign currency contracts is - €4.3 million.

The amount of foreign exchange gains and losses recognized in recurring operating income at June 30, 2008 is a loss of €2.9 million (gain of €2.3 million at June 30, 2007).

The portion of foreign exchange gains and losses corresponding to the interest income/expense arising on the difference between the spot exchange rate and the forward exchange rate is recognized, since January 1, 2008, in financial result, and amounts to - €0.8 million at June 30, 2008 (+ €1.8 million at June 30, 2007).

15.2 Interest rate risk

The Group obtains most of its financing through the variable rate syndicated credit facility of €1,100 million available to it. The general financing policy defined by the Group is to favor variable rate debt over fixed rate debt. Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at June 30, 2008.

15.3 Liquidity risk

The Group's central treasury department manages the liquidity risk related to the Group's debt.

In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.

The main circumstance in which early repayment or termination of the syndicated credit facility (see note C14 "Debt") could occur is if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. At June 30, 2008, consolidated net debt represents 1.1 times consolidated EBITDA of the last 12 months.

Note C14 "Debt" provides details of the maturities of debt.

15.4 Credit risk

The Group's exposure to credit risk has not changed from the position described in the notes to the consolidated financial statements at December 31, 2007.

15.5 Risk related to raw materials and energy

In order to limit the impact of price volatility of the principal raw materials and energy resources it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.

The effects of recognition of these derivatives in the financial statements for the first half of 2008 are not material.

16 Related parties

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are consolidated under the equity method. These transactions mainly concern purchases of raw materials and interest charges on current accounts. The amounts are presented in the table below. The corresponding transactions were carried out at market prices.

In millions of euros	Equity accounted affiliates		Non-consolidated companies	
Transactions	30.06.2008	30.06.2007	30.06.2008	30.06.2007
Sales of goods	-	14	-	-
Other income	1	6	2	2
Purchases of goods and services	(11)	(49)	-	-
Other expenses (including financial expenses)	-	(7)	(1)	-
Balance sheet amounts resulting from transactions	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Assets				
Accounts receivable	-	-	-	-
Financial receivables and other receivables	-	-	-	-
Liabilities				
Accounts payable	2	2	-	-
Debt and other creditors	-	-	-	-

NB: the new companies consolidated in 2008 are listed in "Scope of consolidation".

At June 30, 2008, the transactions presented with equity accounted affiliates are reduced because of the change in consolidation method in respect of Oxochimie, American Acryl NA LLC and Stannica LLC (change from the equity method to the proportionate consolidation method in December 2007).

17 Share-based payments

17.1 Stock options

ARKEMA's Board of Directors granted stock options to management and certain Group employees in order to closely associate them with the Group's development and its financial and stock market performance.

The main characteristics of the stock option plans are as follows:

	2006 Plan	2007 Plan	2008 Plan	
Date of Annual General Meeting	10-May-06	10-May-06	10-May-06	
Date of Board of Directors meeting	04-July-06	14-May-07	13-May-08	
Minimum period until exercise	2 years	2 years	2 years	
Minimum period until sale	4 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	
Number of options				**Total**
In circulation at January 1, 2007	540,000	-	-	540,000
Granted	-	600,000	-	600,000
Cancelled	4,000	-	-	4,000
Exercised	-	-	-	-
In circulation at December 31, 2007	**536,000**	**600,000**	**-**	**1,136,000**
In circulation at January 1, 2008	536,000	600,000	-	1,136,000
Granted	-	-	460,000	460,000
Cancelled	-	7,800	-	7,800
Exercised	-	-	-	-
In circulation at June 30, 2008	**536,000**	**592,200**	**460,000**	**1,588,200**

Valuation method

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

	2006 plan	2007 plan	2008 plan
Volatility	22%	20%	25%
Risk-free rate	2.82%	3.39%	4.00%
Maturity	4 years	4 years	4 years
Exercise price (in euros)	28.36	44.63	36.21
Fair value of stock-options (in euros)	**6.29**	**7. 89**	**8.99**

The volatility assumption was determined on the basis of observation of historical movements in the ARKEMA share since its admission to listing. Certain periods of listing were restated and others were weighted in order to better reflect the long-term trend.

The maturity retained for the options corresponds to the period of unavailability for tax purposes.

The amount of the expense recognized at June 30, 2008 in respect of stock options was €2 million (€1 million at June 30, 2007).

17.2 Free share grant

On May 13, 2008, the Board of Directors validated two free share grant plans on the basis of a proposal from the appointments and compensation committee.

Plan 1 relates to management and certain Group employees, particularly those with responsibilities whose exercise influences the results of the Group. Under this plan, the free grant is definitive after a vesting period of 2 years

commencing on the date of the Board of Directors meeting which makes the grant, subject to compliance with a condition concerning presence in the Group and a performance condition relating to growth in the Group's profitability.
Plan 2 relates to:

- Group employees whose performance is outstanding and whose loyalty the Group wishes to secure;
- Employees of subsidiaries located in countries where it was not possible to propose subscription to the capital increase.

Under this plan, the free grant is definitive after a vesting period of 2 years commencing on the date of the Board of Directors meeting which makes the grant, subject only to compliance with a condition concerning presence in the Group.

The main characteristics of the free share grant plans are as follows:

	2006 Plan	**2007 Plan**	**2008 Plan 1**	**2008 Plan 2**	
Date of Shareholders' meeting	10-May-06	10-May-06	10-May-06	10-May-06	
Date of Board of Directors meeting	04-July-06	14-May-07	13-May-08	13-May-08	
Vesting period	2 years	2 years	2 years	2 years	
Conservation period	2 years	2 years	2 years	2 years	
Performance condition	Yes	Yes	Yes	No	
Number of free shares					**Total**
In circulation at January 1, 2007	150,000	-	-		150,000
Granted	-	125,000	-	-	125,000
Cancelled	6,685	-	-		6,685
Definitively granted	-	-	-		-
In circulation at December 31, 2007	**143,315**	**125,000**	**-**	**-**	**268,315**
In circulation at January 1, 2008	143,315	125,000	-		268,315
Granted	-	-	135,556	44,444	180,000
Cancelled	2,020	995	-		3,015
Definitively granted	-	-	-		-
In circulation at June 30, 2008	**141,295**	**124,005**	**135,556**	**44,444**	**445,300**

The amount of the expense recognized at June 30, 2008 in respect of free share grants was €3 million (€1 million at June 30, 2007).

17.3 Capital increase reserved to employees

In the context of the Group's employee shareholding policy, ARKEMA proposed its employees that they subscribe to a reserved capital increase at a subscription price of 30.42 euros. This price corresponds to the average opening market price of the ARKEMA share on the Paris stock market in the 20 trading days preceding the Board of Directors meeting of March 4, 2008, to which a discount of 20% was applied.
The employees subscribed to 618,462 shares. The capital increase was completed and recognized on April 30, 2008.

Valuation method

In accordance with the method recommended by the French National Accounting Board (*Conseil National de la Comptabilité*), the calculation used to value the cost of not being able to sell the shares for five years is based on the cost of a two-step strategy involving (i) a 5-year forward sale of the shares in question and (ii) a cash purchase of the

same number of shares, financed by a loan. The rate used for the loan is the rate that a bank would grant to a private individual presenting an average risk profile in the context of a 5-year consumer loan.

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:
Date of the board meeting which decided on the capital increase: March 4, 2008
Share price at the date of the board meeting: 37.15 euros
5-year risk free interest rate: 3.54%
5 year loan rate: 7.75%
Cost of not being able to sell the shares: 20%

On the basis of the share price at the date of the board meeting, the benefit granted represents €4.2 million. As the cost of not being able to sell the shares, calculated on the basis of the above parameters, is an equivalent amount, no expense was recognized in the income statement.

18 Off-balance sheet commitments

18.1 Commitments given

18.1.1 Off-balance sheet commitments given in ordinary course of business

The main commitments given are summarized in the table below:

In millions of euros	30.06.2008	31.12.2007
Guarantees granted	45	46
Comfort letters	2	2
Contractual guarantees	28	19
Customs and excise guarantees	8	8
Total	**83**	**75**

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

18.1.2 Contractual commitments

Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods of between 1 to 15 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.

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

The total amount of the Group's financial commitments thus valued amounted to €904 million at June 30, 2008 (see maturity schedule below):

In millions of euros	30.06.2008	31.12.2007
2008	152	221
2009	178	135
2010	164	132
2011	98	72
2012 until expiry of the contracts	312	309
Total	**904**	**869**

Lease commitments

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

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

In millions of euros	30.06.2008		31.12.2007	
	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2008	1	11	3	21
2009	3	19	3	20
2010	3	18	3	17
2011	3	16	3	14
2012 and beyond	14	83	14	77
Nominal value of future lease payments	**23**	**147**	**25**	**149**
Finance cost	5	NA	6	NA
Present value	**18**	**NA**	**19**	**NA**

NA: not applicable

18.1.3 Other commitments given

Warranties related to sales of businesses

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

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted in the past by ARKEMA amounted to €82 million at June 30, 2008 (€87 million at December 31, 2007). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

18.2 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 note 29.2 to the consolidated financial statements for the year ended December 31, 2007.

19 Subsequent events

NONE

SCOPE OF CONSOLIDATION AT JUNE 30, 2008

(a) Companies consolidated for the first time in 2008
(b) Companies merged at January 1, 2008
(c) Companies deconsolidated in 2008
(d) Companies consolidated for the first time in the 2nd half of 2007
(e) Companies whose consolidation method changed from the equity method to the proportionate consolidation method in the 2nd half of 2007

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

Akishima Chemical Industries Co.ltd		Japan	100.00	FC
Alphacan BV		Netherlands	100.00	FC
Alphacan DOO	(d)	Croatia	100.00	FC
Alphacan Espana SA		Spain	99.92	FC
Alphacan Perfiles SAU		Spain	99.92	FC
Alphacan SA		France	100.00	FC
Alphacan Soveplast	(b)	France	100.00	FC
Alphacan SPA		Italy	100.00	FC
Altuglas International Denmark A/S	(a)	Denmark	100.00	FC
Altuglas International Services SAS	(b)	France	100.00	FC
Altuglas International SPA		Italy	100.00	FC
Altuglas International BV		Netherlands	100.00	FC
Altuglas International Mexico Inc		United States	100.00	FC
Altuglas International S.A.		France	100.00	FC
Altuglas International UK Ltd		United Kingdom	100.00	FC
Altuglas Polivar Spa	(a)	Italy	100.00	FC
Altumax Deutschland GmbH		Germany	100.00	FC
Altumax Europe SAS		France	100.00	FC
American Acryl LP	(e)	United States	50.00	PC
American Acryl NA LLC	(e)	United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema S.A.		France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie		France	100.00	FC
Arkema Beijing Chemicals Co. Ltd		Chine	100.00	FC
Arkema BV		Netherlands	100.00	FC
Arkema Canada Inc		Canada	100.00	FC
Arkema Catalyst India Ltd		India	100.00	FC

Arkema Changshu Chemicals Co Ltd		China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100.00	FC
Arkema Changshu Haike Chemicals		China	49.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Company Ltd		Hong-Kong	100.00	FC
Arkema Daikin Fluorochemical Co ltd	(a)	China	60.00	PC
Arkema Delaware Inc.		USA	100.00	FC
Arkema Europe SAS		France	100.00	FC
Arkema Europe Holdings BV		Netherlands	100.00	FC
Arkema Finance Nederland BV		Netherlands	100.00	FC
Arkema France		France	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Guangzhou Chemicals Co. Ltd		China	100.00	FC
Arkema Holding Ltd		United Kingdom	100.00	FC
Arkema Holland Holding BV		Netherlands	100.00	FC
Arkema Inc.		USA	100.00	FC
Arkema Iniciadores SA de CV		Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd (UK)		United Kingdom	100.00	FC
Arkema Ltd (Vietnam)		Vietnam	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Pty Ltd	(c)	Australia	100.00	FC
Arkema Quimica ltda		Brazil	100.00	FC
Arkema Quimica SA		Spain	99.92	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema RE		Ireland	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema Shanghai Distribution		China	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema SRL		Italy	100.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Ceca Italiana SRL		Italy	100.00	FC
Ceca SA		France	100.00	FC
Changshu Resichina Engeneering Polymers Co Ltd	(a)	China	100.00	FC
Coatex SAS	(d)	France	100.00	FC
Coatex Netherlands BV	(d)	Netherlands	100.00	FC

Coatex Inc	(d)	USA	100.00	FC
Coatex Korea	(d)	South Korea	100.00	FC
Coatex CEE	(d)	Slovakia	100.00	FC
Coatex NA	(d)	USA	100.00	FC
Coatex Asia Pacific	(d)	South Korea	100.00	FC
Daikin Arkema Refrigerants Asia Ltd	(a)	Hong-Kong	40.00	PC
Delaware Chemicals Corporation		USA	100.00	FC
Dorlyl snc		France	100.00	FC
Febex SA		Switzerland	96.77	FC
Luperox Iniciadores SA de CV		Mexico	100.00	FC
Maquiladora General de Matamoros sa de cv		Mexico	100.00	FC
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Oxochimie	(e)	France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Plasgom		Spain	99.92	FC
Plasticos Altumax SA		Spain	100.00	FC
Qatar Vinyl Company Limited		Qatar	12.91	EM
Résil Belgium		Belgium	100.00	FC
Resilia SRL		Italy	100.00	FC
Resinoplast		France	100.00	FC
SEKI Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co, Ltd		China	91.07	FC
Stannica LLC	(e)	United States	40.00	PC
Sunclear		France	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinilis		Spain	34.97	EM
Vinylberre		France	65.05	FC
Vinylfos		France	79.00	FC

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

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

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30, 2008 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.

Thierry Le Hénaff

Chairman and CEO

KPMG Audit
Département de KPMG S.A.
Commissaire aux Comptes
Membre de la Compagnie de Versailles
1, cours Valmy
92923 Paris La Défense Cedex

Ernst & Young Audit

Commissaire aux Comptes
Membre de la Compagnie de Versailles
Faubourg de l'Arche
11, allée de l'Arche
92037 Paris La Défense Cedex
S.A.S. à capital variable

Arkema S.A.

Statutory Auditor's Report on the first half-year information for 2008 (free translation of the French original)

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

KPMG Audit
Département de KPMG S.A.
Commissaire aux Comptes
Membre de la Compagnie de Versailles
1, cours Valmy
92923 Paris La Défense Cedex

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92037 Paris La Défense Cedex
S.A.S. à capital variable

This is a free translation into English of the statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional auditing standards applicable in France.

Arkema S.A.

Registered office: 420, rue d'Estiennes d'Orves - 92700 Colombes – France
Share capital: €.612 133 900

Statutory Auditors' Report on the first half-year financial information for 2008 (free translation of the French original)

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meetings, and in accordance with the requirements of article L. 232-7 of the French Commercial Law (Code de commerce) and of article L.451-1-2 III of the French Monetary and Financial Law (Code Monétaire et Financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Arkema for the period from January 1st to June 30, 2008;
- 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.

1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.
A review 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. Consequently, the assurance, in the context of a review, that the financial statements taken as a whole are free of significant mistatements is a moderate assurance, lower than that given by an audit.

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 - standards of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information given in the half-year management report, commenting 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, August 6, 2008

The Statutory Auditors

French original signed by

KPMG Audit		Ernst & Young Audit	
Bertrand Desbarrières	Jean-Louis Caulier	François Carrega	Isabelle Triquéra-Lamazière
Partner	Partner	Partner	Partner