Société anonyme au capital de 604 549 730 euros
Siège social : 420, rue d'Estienne d'Orves
92700 Colombes
RCS 445 074 685 Nanterre

HALF-YEAR FINANCIAL REPORT

First half ended June 30th 2009

Content

I-Half-year activity report--3

II-Condensed consolidated interim financial statements at June 30th 2009--------------------------7

III-Declaration by the person responsible for the half-year financial report---------------------- 54

IV-Report from statutory auditors on condensed consolidated interim financial statements at June 30th 2009-- 55

I- HALF-YEAR ACTIVITY REPORT

I. HIGHLIGHTS OF THE FIRST HALF OF THE YEAR

In the first half of 2009 Arkema announced a number of projects to improve its productivity and refocus its portfolio.

1. Main restructuring projects

Arkema announced three new projects to improve its productivity.

In March 2009 Arkema presented a project for the shutdown by the end of the year of methyl ethyl ketone production at the La Chambre site (France). This project includes the sale of the marketing and sales assets to the company Sasol Solvent Germany GmbH.

In May 2009 Arkema announced the restructuring of its North American operations in order to adapt to the current economic situation and boost its long-term competitiveness. Headcounts reductions, significant cuts in overhead costs and efficiency improvements in the organization will achieve savings of US$40 million (€30 million) from 2010, reaching US$50 million (€37 million) in 2012.

Finally, in June 2009 Arkema presented a restructuring project aimed at consolidating its MMA/PMMA activities in Europe[1] , which should entail:
- the shutdown of MMA (methyl methacrylate) production at the Carling site (France) in order to focus on the Rho plant in Italy, which is more competitive;
- the recentering of PMMA (« acrylic glass ») sheet production at the Bernouville site (France) on higher added value products.

These restructuring measures in the MMA/PMMA activities would entail the loss of 239 positions.

2. Portfolio management

In the first six months of 2009, Arkema conducted a number of operations designed to refocus its portfolio.

Arkema completed the acquisition of :
- the organic peroxide activity of Geo Specialty Chemicals, representing annual sales of around $30 million.
- the company Winkelmann Mineraria by its subsidiary CECA (Specialty Chemicals). With sales of the order of €6 million, this company will enable CECA to boost its position in filtration for the agro-food industry.

Meanwhile, Arkema has announced three divestment operations designed to refocus its portfolio without any significant impact on the first half 2009 acconts; they concern:
- the aluminum chloride activity (European customer list and the Indian subsidiary ARCIL) accounting for total annual sales of the order of €24 million;
- the vinyl compounding activity based on the Vanzaghello site (Italy), representing sales of approximately €22 million.
- non-strategic activities (ceramic opacifiers and catalysts for polyester resins) within its Functional Additives BU, based at the Guangzhou site, China, and accounting for annual sales of the order of €13 million.

3. Other highlights

In February 2009 Arkema signed a long-term contract for the supply in Europe of the HCFC-22 fluorogas to Dyneon, a world leader in fluorinated polymers. The HCFC-22 is to be produced on the Pierre Bénite site (France) from 2010.

[1] The implementation of the project is subject to the legal information and consultation process involving the trade unions.

II. ANALYSIS OF FINANCIAL RESULTS FOR FIRST HALF 2009

(in millions of euros)	1st half 2009	1st half 2008	Variations in %
Sales	**2,259**	**3,001**	**-24.7%**
EBITDA	**127**	**317**	**-60%**
Recurring operating income	**-10**	**197**	**n.a.**
Other income and expenses	-98	-10	
Operating income	**-108**	**187**	**n.a.**
Adjusted net income	**-55**	**140**	
Net income – *Group share*	**-149**	**132**	**n.a.**
Recurring CAPEX	**125**	**92**	**36%**
Net debt	**420** *(06/30/09)*	**495** *(12/31/08)*	**-15%**

Sales

In the first half of 2009 Arkema achieved sales of €2,259 million, 24.7% down on the first half of 2008. This drop is due primarily to a sharp reduction in volumes (-22.7%) related to the downturn in demand in a large number of market segments and to de-stocking at customers. The –3.9% price effect essentially reflects the evolution of sales prices in PVC and Acrylics resulting from the very steep drop in ethylene and propylene prices. The conversion effect was positive (+2.5%) following the strengthening of the dollar vs the euro. The variation in the scope of business was limited to –0.6%.

In the 2nd quarter 2009, the decline in volumes was lower than in the 1st quarter, reflecting both a recovery in the activity in China and a gradual decrease in de-stocking.

EBITDA

EBITDA in the first half of 2009 stood at €127 million against €317 million in the first half of 2008. In a very deteriorated economic environment with an estimated impact of –€240 million, the sharp decrease in volumes was partly offset by the many internal productivity initiatives launched by Arkema and by a very strict control of overhead costs. These initiatives helped reduce fixed costs by €86 million in the 1st half 2009 compared to the 1st half 2008, yielding a €70 million improvement in EBITDA. Additionally, EBITDA included an inventory effect of –€40 million, booked in the Corporate segment.

Recurring operating income

Recurring operating income was negative in the first half 2009 at –€10 million, against +€197 million in the first half 2008, in line with the EBITDA variation. It also included €137 million depreciation and amortization, a €17 million increase from the €120 million in the first half of 2008.

Operating income

Operating income stood at –€108 million against +€187 million in the first half 2008. It included –€98 million for other income and expenses (against -€10 million in the first half 2008), mostly corresponding to expenses related to the plans to restructure Arkema's activities in North America and in the methacrylics sector in Europe announced in the 2nd quarter.

Net income, Group share

Net income, group share stood at –€149 million against €132 million in the first half 2008. It included a €30 million tax charge (against €43 million in the first half 2008).

Segments' performance

Vinyl Products sales were 33.3% down to €523 million against €784 million in the first half of 2008. The first six months were marked by a very mixed situation in the caustic soda market between the 1st and the 2nd quarters: caustic soda prices in the 1st quarter 2009 were significantly higher than in the 1st quarter 2008, followed by a sharp decline in the 2nd quarter 2009. EBITDA was negative at –€5 million against €31 million in the first half of 2008, while fixed costs

savings due to the many productivity measures launched in the PVC downstream activities partly made up for the impact of a drop in demand.

Industrial Chemicals sales stood at €1,052 million against €1,357 million in the first half of 2008, a 22.5% drop reflecting weak demand and lower sales prices in Acrylics. EBITDA remained resilient at €148 million against €190 million in the first half 2008, with the sound performance of the Thiochemicals, Fluorochemicals and Specialty Acrylic Polymers activities together with the productivity measures launched in particular in PMMA, Acrylics and Thiochemicals helping offset in part the impact of the economic environment on the segment's results. EBITDA margin remained constant at 14.0% between the two six-month periods despite a highly challenging economic environment.

Performance Products sales stood at €678 million against €857 million in the first half of 2008. This 20.9% drop was due primarily to weak demand in the automotive and construction sectors, which had a major adverse effect on sales volumes in Technical Polymers and Functional Additives. EBITDA stood at €40 million against €119 million in the 1st half 2008, with structural fixed cost savings achieved in the segment's three activities and the strict control of overhead costs helping mitigate the impact of the current economic environment.

Cash flow

In the 1st half 2009, free cash flow[2] stood at €135 million against –€33 million at end of 1st half 2008. Arkema therefore confirms its ability to generate cash, which is its priority for 2009.

This cash flow included €125 million recurring capital expenditure, €41 million expenses related to restructuring plans, and a +€220 million variation in working capital. This sharp reduction is the result of lower raw material costs and volumes, a significant effort to optimize inventory levels, and very tight credit control.

Net debt

After taking account of the impact of portfolio management operations (-€28 million) and the payment of a €0.60 dividend per share (-€36 million), the Group's net debt at end June 2009 stood at €420 million against €435 million as at March 31st 2009 and €495 million as at December 31st 2008. This amount represents less than 1.5 times the EBITDA for the last 12 months, and illustrates Arkema's actions to maintain the quality and strength of its balance sheet.

Gearing remained low at 23%.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in note 16 to the condensed consolidated financial statements as at June 30 2009.

IV. HIGHLIGHTS SINCE JUNE 30 2009

In order to sustain market growth in specialty acrylic polymers in Asia, Arkema announced the construction of a production plant on its Changshu site (China) by mid-2011, requiring overall expenditure of some €15 million. This project represents a further step in Arkema's transformation and development drive, in particular in Asia. The project is fully in line with the Group's strategy to strenghthen its acrylics and downstream acrylics activities.

V. 2009 OUTLOOK

The global economic environment half-way through the year remains highly challenging overall despite a few more positive signs, including an improvement in volumes in China and a gradual reduction in de-stocking at customers. Accordingly, Arkema remains very cautious regarding economic environment assumptions for the 2nd half of the year, and will continue to implement progress actions with the same determination.

Accordingly, Arkema will continue to adapt its organization and will pursue its efforts to reduce fixed costs, which should amount to €170 million in 2009, in line with a new target of €600 million cumulated fixed cost savings over the 2006 – 2010 period.

[2] Cash flow from operating and investing activities excluding M&A.

Meanwhile, for Arkema the priority remains managing cash flow rigorously and maintaining the Group's financial strength. The Group's target for 2009 has been revised upward and is to generate free cash flow of the order of €80 million. In this regard, Arkema will continue to improve its working capital and will limit its capital expenditures to €260 million in 2009.

VI. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2008 Reference Document filed with the *Autorité des marchés financiers* (« AMF ») on April 21st 2009 under number R.09-024. 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.

II- CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2009

CONSOLIDATED INCOME STATEMENT 9

STATEMENT OF RECOGNIZED INCOME AND EXPENSES 10

CONSOLIDATED BALANCE SHEET 11

CONSOLIDATED CASH FLOW STATEMENT 12

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 13

A. HIGHLIGHTS 15

B. ACCOUNTING POLICIES 15

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 30

1 Effects of seasonality 30

2 Information by business segment 30

3 Information by geographical area 31

4 Other income and expenses 32

5 Adjusted net income 32

6 Income taxes 33

7 Earnings per share 33

8 Intangible assets 33

9 Property, plant and equipment 33

10 Inventories 34

11 Shareholders' equity 34

12 Provisions and other non-current liabilities 35

13 Contingent liabilities **37**

14 Debt **41**

15 Management of risks related to financial assets and liabilities **43**

16 Related parties **45**

17 Share-based payments **45**

18 Off-balance sheet commitments **48**

19 Subsequent events **50**

SCOPE OF CONSOLIDATION AT JUNE 30, 2009 .... **51**

CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	1st half 2009	1st half 2008
Sales	(C2&C3)	**2,259**	**3,001**
Operating expenses		(2,014)	(2,525)
Research and development expenses		(68)	(79)
Selling and administrative expenses		(187)	(200)
Recurring operating income	(C2)	**(10)**	**197**
Other income and expenses	(C4)	(98)	(10)
Operating income	(C2)	**(108)**	**187**
Equity in income of affiliates		5	3
Financial result		(15)	(14)
Income taxes	(C6)	(30)	(43)
Net income of continuing operations		**(148)**	**133**
Net income of discontinued operations		**-**	**-**
Net income		**(148)**	**133**
Of which: minority interests		1	1
Net income – Group share		**(149)**	**132**
Earnings per share (amount in euros)	(C7)	*(2.47)*	*2.18*
Diluted earnings per share (amount in euros)	(C7)	*(2.46)*	*2.17*
Depreciation and amortization	(C2)	(137)	(120)
EBITDA*	(C2)	127	317
Adjusted net income*	(C5)	(55)	140
Adjusted earnings per share (amount in euros)	(C7)	*(0.91)*	*2.32*
Adjusted diluted earnings per share (amount in euros)	(C7)	*(0.91)*	*2.31*

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSES

1st half 2008

In millions of euros	Group share	Minority interests	Total
Net income	**132**	**1**	**133**
Hedging adjustments	1	-	1
Actuarial gains and losses	18	-	18
Change in translation adjustments	(70)	(2)	(72)
Other	(1)	-	(1)
Tax impact	-	-	-
Total income and expenses recognized directly through equity	**(52)**	**(2)**	**(54)**
Total recognized income and expenses	**80**	**(1)**	**79**

2nd half 2008

In millions of euros	Group share	Minority interests	Total
Net income	**(32)**	**-**	**(32)**
Hedging adjustments	8	-	8
Actuarial gains and losses	(78)	-	(78)
Change in translation adjustments	126	2	128
Other	(1)	-	(1)
Tax impact	27	-	27
Total income and expenses recognized directly through equity	**82**	**2**	**84**
Total recognized income and expenses	**50**	**2**	**52**

1st half 2009

In millions of euros	Group share	Minority interests	Total
Net income	**(149)**	**1**	**(148)**
Hedging adjustments	(10)	-	(10)
Actuarial gains and losses	(14)	-	(14)
Change in translation adjustments	17	(1)	16
Other	-	-	-
Tax impact	4	-	4
Total income and expenses recognized directly through equity	**(3)**	**(1)**	**(4)**
Total recognized income and expenses	**(152)**	**-**	**(152)**

CONSOLIDATED BALANCE SHEET

In millions of euros	Notes	**June 30, 2009**	**December 31, 2008**
ASSETS			
Intangible assets, net	(C8)	486	466
Property, plant and equipment, net	(C9)	1,602	1,638
Equity affiliates: investments and loans		52	53
Other investments		20	22
Deferred income tax assets		27	25
Other non-current assets		105	137
TOTAL NON-CURRENT ASSETS		**2,292**	**2,341**
Inventories	(C10)	816	1,026
Accounts receivable		791	838
Other receivables and prepaid expenses		120	149
Income taxes recoverable		16	22
Other current assets		8	30
Cash and cash equivalents		64	67
Total assets of discontinued operations		-	-
TOTAL CURRENT ASSETS		**1,815**	**2,132**
TOTAL ASSETS		**4,107**	**4,473**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		605	605
Paid-in surplus and retained earnings		1,271	1,476
Treasury shares		-	(1)
Cumulative translation adjustment		(67)	(84)
SHAREHOLDERS' EQUITY – GROUP SHARE	(C11)	**1,809**	**1,996**
Minority interests		22	22
TOTAL SHAREHOLDERS' EQUITY		**1,831**	**2,018**
Deferred income tax liabilities		46	47
Provisions and other non-current liabilities	(C12)	880	835
Non-current debt	(C14)	82	69
TOTAL NON-CURRENT LIABILITIES		**1,008**	**951**
Accounts payable		563	690
Other creditors and accrued liabilities		275	259
Income taxes payable		17	17
Other current liabilities		11	45
Current debt	(C14)	402	493
Total liabilities of discontinued operations		-	-
TOTAL CURRENT LIABILITIES		**1,268**	**1,504**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,107**	**4,473**

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros		1st half 2009	1st half 2008
Net income		(148)	133
Depreciation, amortization and impairment of assets		164	128
Provisions, valuation allowances and deferred taxes		32	(31)
(Gains)/losses on sales of assets		(2)	(25)
Undistributed affiliate equity earnings		-	(3)
Change in working capital	(1)	220	(117)
Other changes		(3)	5
Cash flow from operating activities		**263**	**90**
Intangible assets and property, plant, and equipment additions		(156)	(103)
Change in fixed asset payables		(53)	(42)
Acquisitions of subsidiaries, net of cash acquired		(3)	(13)
Increase in long-term loans		(15)	(24)
Total expenditures		(227)	(182)
Proceeds from sale of intangible assets and property, plant and equipment		5	27
Change in fixed asset receivables		14	(14)
Proceeds from sale of subsidiaries, net of cash sold		1	-
Proceeds from sale of other investments		4	-
Repayment of long-term loans		47	9
Total divestitures		71	22
Cash flow from investing activities		**(156)**	**(160)**
Issuance (repayment) of shares		-	18
Purchase of treasury shares		(1)	(11)
Dividends paid to parent company shareholders		(36)	(46)
Dividends paid to minority shareholders		-	-
Increase/decrease in long-term debt		15	107
Increase/decrease in short-term borrowings and bank overdrafts	(1)	(95)	44
Cash flow from financing activities		**(117)**	**112**
Net increase/(decrease) in cash and cash equivalents		(10)	42
Effect of exchange rates and changes in scope	(1)	7	(27)
Cash and cash equivalents at beginning of period		67	58
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**64**	**73**

At June 30, 2009, income taxes paid amounted to €21 million (€28 million at June 30, 2008).

Interest received and paid included in cash flow from operating activities at June 30, 2009 amounted, respectively, to €0.1 million and €5.9 million (€0.1 million and €13.8 million at June 30, 2008).

(1) With effect from the end of 2008, the neutralization of the non-cash flows relating to unrealized foreign exchange gains and losses has been incorporated in the "Effect of exchange rates and changes in scope" line item. The comparative data for 2008 has been equally modified.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In millions of euros	Shares issued					Treasury shares				
	Number	**Amount**	**Paid-in surplus**	**Retained earnings**	**Cumulative translation adjustment**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Minority interests**	**Total share-holders' equity**
At January 1, 2008	**60,453,823**	**605**	**1,006**	**440**	**(140)**	**-**	**-**	**1,911**	**21**	**1,932**
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	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	5	-	-	-	5	-	5
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**618,462**	**6**	**12**	**(41)**	**-**	**(315,580)**	**(11)**	**(34)**	**-**	**(34)**
Net income	-	-	-	132	-	-	-	132	1	133
Income and expenses recognized directly through equity	-	-	-	18	(70)	-	-	(52)	(2)	(54)
Total recognized income and expenses	**-**	**-**	**-**	**150**	**(70)**	**-**	**-**	**80**	**(1)**	**79**
At June 30, 2008	**61,072,285**	**611**	**1,018**	**549**	**(210)**	**(315,580)**	**(11)**	**1,957**	**20**	**1,977**
Cash dividend	-	-	-	-	-	-	-	-	-	-
Issuance of share capital	142,255	1	(2)	1	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(483,694)	(14)	(14)	-	(14)
Cancellation of purchased treasury shares	(759,567)	(7)	(17)	-	-	759,567	24	-	-	-
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	3	-	-	-	3	-	3
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**(617,312)**	**(6)**	**(19)**	**4**	**-**	**275,873**	**10**	**(11)**	**-**	**(11)**
Net income	-	-	-	(32)	-	-	-	(32)	-	(32)
Income and expenses recognized directly through equity	-	-	-	(44)	126	-	-	82	2	84
Total recognized income and expenses	**-**	**-**	**-**	**(76)**	**126**	**-**	**-**	**50**	**2**	**52**
At December 31, 2008	**60,454,973**	**605**	**999**	**477**	**(84)**	**(39,707)**	**(1)**	**1,996**	**22**	**2,018**

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, 2009	**60,454,973**	**605**	**999**	**477**	**(84)**	**(39,707)**	**(1)**	**1,996**	**22**	**2,018**
Cash dividend	-	-	-	(36)	-	-	-	(36)	-	(36)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(48,300)	(1)	(1)	-	(1)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(2)	-	87,600	2	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	2	-	-	-	2	-	2
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**(36)**	**-**	**39,300**	**1**	**(35)**	**-**	**(35)**
Net income	-	-	-	(149)	-	-	-	(149)	1	(148)
Income & expenses recognized directly through equity	-	-	-	(20)	17	-	-	(3)	(1)	(4)
Total recognized income and expenses	**-**	**-**	**-**	**(169)**	**17**	**-**	**-**	**(152)**	**-**	**(152)**
At June 30, 2009	**60,454,973**	**605**	**999**	**272**	**(67)**	**(407)**	**0**	**1,809**	**22**	**1,831**

A. HIGHLIGHTS

Main restructuring plans

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

In May 2009, ARKEMA announced a restructuring plan at its American subsidiary Arkema Inc. designed to respond to the current economic context and reinforce the long-term competitiveness of the Group's North American operations. The reorganization will involve job losses, a significant reduction in the entity's overheads and optimization of its organizational structure.

In June 2009, ARKEMA announced a planned reorganization of its European MMA/PMMA business. The plan, subject to the process of communication and consultation required by law, involves ending production of MMA (methyl methacrylate) at the Group's Carling facility in France and reducing its level of activity at the PMMA Bernouville facility in France. 239 jobs would be lost.

B. ACCOUNTING POLICIES

ARKEMA is a global chemical player with three 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 and to 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 incorporated on January 31, 2003 and the shares of Arkema S.A. are listed on the Paris stock market (Euronext) since May 18, 2006.

The condensed consolidated interim financial statements of ARKEMA at June 30, 2009 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on July 31, 2009.

The condensed consolidated interim financial statements at June 30, 2009 were 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, 2009 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, 2008.

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_fr.htm#adopted-commission.

The accounting policies applied in preparing the consolidated financial statements at June 30, 2009 are identical to those used in the consolidated financial statements at December 31, 2008 except for the IFRS standards, amendments and interpretations adopted by the European Union and the IASB for obligatory application with effect from accounting periods commencing on or after January 1, 2009 (and which had not been applied earlier by the Group), namely:

Standards	Title
Amendments to IAS 32 & IAS 1	Puttable financial instruments at fair value and obligations arising on liquidation
Amendments to IFRS 1 & IAS 27	Cost of an investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendment to IFRS 2	Share-based payment - vesting conditions and cancellations
IAS 1 (Revised)	Presentation of financial statements
IAS 23 (Revised) *	Borrowing costs
IFRIC 13	Customer loyalty programmes
IFRS 8**	Operating segments
	Annual Improvements to IFRS (published in May 2008) except for the amendments to IFRS 5 and IFRS 1

*The Group has made use of the transitional provisions of IAS 23 (Revised), "Borrowing Costs", by incorporating borrowing costs to qualifying assets for which the commencement date for capitalization was on or after January 1, 2009.

**The application of IFRS 8 has not involved the Group in modifying the information previously communicated (see note B13, "Information by segment").

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

The impact of the other standards, amendments or interpretations published by the IASB and the IFRIC (International Financial Reporting Interpretations Committee) which are not yet in force at June 30, 2009 and which have not been applied early by the Group, is currently being analyzed. The following texts are involved:

Amendment to IAS 39	Financial instruments : recognition and measurement of eligible hedged items	Not adopted by the EU by June 30, 2009
IAS 27 (Revised)	Consolidated and separate financial statements	Adopted - Applicable for accounting periods commencing on or after June 30, 2009
IFRIC 12	Service concession arrangements	Adopted - Applicable for accounting periods commencing on or after March 29, 2009
IFRIC 15	Agreements for the construction of real estate	Not adopted by the EU by June 30, 2009

IFRIC 16	Hedges of a net investment in a foreign operation	Adopted - Applicable for accounting periods commencing on or after June 30, 2009
IFRIC 17	Distributions of non-cash assets to owners	Not adopted by the EU by June 30, 2009
IFRIC 18	Transfers of assets from customers	Not adopted by the EU by June 30, 2009
Amendment to IFRS7	Financial instruments : disclosures – improving disclosures about financial instruments	Not adopted by the EU by June 30, 2009
Joint amendment to IAS 39 / IFRIC 9	Embedded derivatives	Not adopted by the EU by June 30, 2009
IFRS 3 (Revised)	Business combinations	Adopted - Applicable for accounting periods commencing on or after June 30, 2009
	Annual improvements to IFRS (published in May 2008) – Amendments IFRS 5 and IFRS 1	Adopted - Applicable for accounting periods commencing on or after June 30, 2009
	Annual improvements to IFRS (published in April 2009)	Not adopted by the EU by June 30, 2009

IFRIC 12 and IFRIC 15 are not expected to have any impact on the Group's consolidated financial statements.

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 of provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

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

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

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

1 Consolidation principles

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method.
- Investments in associates over which significant influence is exercised are 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 assets.

3.1 Goodwill and trademarks

Goodwill represent 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. In accordance with IFRS 3, “Business Combinations”, goodwill are not amortized. They are subject to impairment tests as soon as any indicators of potential impairment are identified and are at least 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. Grants received are recognized as a deduction from research costs.

Under IAS 38, “Intangible Assets”, development costs are capitalized as soon as ARKEMA can demonstrate, in particular:

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

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

3.3 Research tax credit

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

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. With effect from January 1, 2009 and in accordance with the Revised version of IAS 23, borrowing costs that are directly attributable to financing tangible assets that necessarily take a substantial period of time to get ready for its intended use or sale, are eligible for capitalization as part of the cost of the assets for the portion of the cost incurred over the period.
Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance turnarounds of industrial facilities which take place at intervals of greater than 12 months are capitalized at the time they are incurred and depreciated over the period between two such turnarounds.
Fixed assets which are held under finance lease contracts, as defined in IAS 17, "Leases", which have the effect of transferring substantially all the risks and rewards inherent to ownership of the asset from the lessor to the lessee, are capitalized in assets at their market value or at the discounted value of future lease payments if lower (such assets are depreciated using the methods and useful lives described below). The corresponding lease obligation is recorded as a liability. Leases which do not meet the above definition of finance leases are accounted for as operating leases.

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 indication of impairment is identified, and reviewed at each year-end. An impairment test is performed at least once a year in respect of goodwill and trademarks.

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

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next five years or, when the asset is to be sold, by comparison with its market value. In 2008, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5%, and an after tax rate of 7.5% was used in 2008 to discount future cash flows and the terminal value. 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 (in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be reversed).

The sensitivity analysis performed as of December 31, 2008, evaluating the impact of reasonable changes in the basic assumptions, and in particular, the impact of a change of plus or minus 1% in the discount rate applied, has confirmed the carrying amounts of the different CGUs retained as of December 31, 2008. An update of the Vinyl Products impairment test was performed as of June 30, 2009, based on recent market changes, and taking into account the up-to-date business forecasts. This test confirmed the carrying amounts in the balance sheet at June 30, 2009.
The assumptions used such as discount rate, perpetuity growth rate and sensitivity analysis remain unchanged compared to those used at December 31, 2008.

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, reported as part of other current assets and liabilities.

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, an irreversible impairment loss is recognized, in general, through recurring operating income. Release of such impairment losses through profit and loss 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 cash flows. These tests are carried out as soon as any indicator inferring that the present value of these assets is lower than their carrying amount is identified. As a minimum such tests are performed at each balance sheet date. Any impairment loss is recognized in recurring operating income.

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 three months and 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 and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting under IAS 39. In this case, the effective portion of the change in fair value is recognized in shareholders' equity under the "income and expenses 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 in operating income.

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 manufactured 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 manufactured 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 for 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 pensions and similar post-employment benefit obligations, are not discounted as the Group considers that the impact of discounting would not be significant.

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

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

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

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

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

Other long-term benefits

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

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

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

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 and certified emission reductions (CER)

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, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories and sales are recorded on delivery of the CERs.

11 Recognition of sales

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

12 Income taxes

12.1 Current taxes

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.
The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

12.2 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.

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

13 Information by segment

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

The Group's activities are conducted through three business segments: Vinyl Products, Industrial Chemicals and Performance Products. The directors of the business segments report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by the standard, and are in regular contact with him for the purpose of discussing their segments' operating activity, financial results, forecasts and plans.

- Vinyl Products includes the following business units: 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 the following business units: Acrylics, Specialty Acrylic Polymers, 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 groups the following business units: Technical Polymers, Specialty Chemicals and Functional Additives. Performance Products are used in a variety of sectors from transport to sporting equipment, 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 payments

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

Determined 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. Negative goodwill is recognized immediately in the income statement.
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 twelve months from the acquisition date to finalize the initial accounting of assets' and liabilities' fair value and goodwill allocation.

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 (including substantial modifications to employee benefit plans and the effect of onerous contracts),
- certain expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations;

- **Recurring operating income**: this is calculated as the difference between operating income and other income and expenses as previously defined;
- **Adjusted net income**: this corresponds to "Net income – Group share" adjusted for the "Group share" of the following items:
  - other income and expenses, after taking account of the tax impact of these items,
  - income and expenses from taxation of an exceptional nature, the amount of which is deemed significant,
  - net income of discontinued operations;
- **EBITDA:** this corresponds to recurring operating income increased by depreciation and amortization;
- **Working capital:** this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses, income tax receivables and other current assets on the one hand and accounts payable, other creditors and accrued liabilities, income tax liabilities and other current liabilities on the other hand. These items are classified in current assets and liabilities in the consolidated balance sheet;
- **Capital employed:** this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **Net debt**: this is the difference between current and non-current debt and cash and cash equivalents.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.
The economic conditions of the first half of 2009, and the lack of visibility as to the rest of the year, make it difficult to assess the impact of seasonality effects in 2009.

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.

1st half 2009 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group total**
Third party sales	523	1,052	678	6	**2,259**
Inter segment sales	22	46	7	-	
Total sales	**545**	**1,098**	**685**	**6**	
Recurring operating income	**(29)**	**83**	**(7)**	**(57)***	**(10)**
Other income and expenses	(4)	(83)	(6)	(5)	**(98)**
Operating income	**(33)**	**-**	**(13)**	**(62)**	**(108)**
Equity in income of affiliates	5	-	-	-	**5**
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(24)	(65)	(47)	(1)	**(137)**
Asset impairment charges	-	(27)	(1)	-	**(28)**
Provisions	12	(46)	-	16	**(18)**
EBITDA	**(5)**	**148**	**40**	**(56)**	**127**
Intangible assets and property, plant and equipment additions	22	55	78	1	**156**
Of which: exceptional capital expenditures	1	3	27	-	31

*Of which inventories impacts not related to business segments of -€40 million over the period, linked to raw-material prices' decrease (-€25 million) and to inventories' volumes' decrease (-€15 million).

1st half 2008 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group total**
Third party 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 significant non-cash expenses by segment:					
Depreciation and amortization	(19)	(59)	(42)	-	**(120)**
Asset impairment charges	-	-	-	-	**-**
Provisions	9	5	1	4	**19**
EBITDA	**31**	**190**	**119**	**(23)**	**317**
Intangible assets and property, plant and equipment additions	29	46	27	1	**103**
Of which: exceptional capital expenditures	9	2	-	-	11

3 Information by geographical area

Third party sales are presented on the basis of the geographical location of customers.

1st half 2009 In millions of euros	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Third party sales	393	818	527	417*	104*	2,259

1st half 2008 In millions of euros	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Third party sales	554	1,232	634	463*	117*	3,001

(1) NAFTA: United States, Canada and Mexico

* With effect from June 30, 2009, sales to the Middle East have been reclassified from the “Rest of the world” to “Asia”. The comparative data for June 30, 2008 has been restated (reclassification of €48 million from the “Rest of the world” to “Asia”).

4 Other income and expenses

In millions of euros	1st half 2009			1st half 2008		
	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(101)	2	(99)	(24)	2	(22)
Goodwill impairment charges	-		-	-	-	-
Asset impairment charges (other than goodwill)	-		-	-	-	-
Litigation and claims	-	2	2	(1)	-	(1)
Gains/(losses) on sales of assets	(1)	-	(1)	-	13	13
Other	-	-	-	-	-	-
Total other income and expenses	**(102)**	**4**	**(98)**	**(25)**	**15**	**(10)**

In the first half of 2009, restructuring (including the assets' depreciations related to the restructuring plans) and environmental charges mainly include restructuring costs (net of reversals) in the Vinyl Products segment (€4 million), in the Industrial Chemicals segment (€85 million), in the Performance Products segment (€6 million) and in Corporate (€4 million) (see note A, "Highlights").
Income in respect of litigation and claims mainly reflects the additional compensation receivable following hurricane Ike in 2008 in Texas (USA).

In the first half of 2008, restructuring (including the assets' depreciations related to the restructuring plans) and environmental charges mainly included restructuring costs (net of reversals) 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 included the sale of the R&D Center in Levallois (France).

5 Adjusted net income

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

In millions of euros	Notes	1st half 2009	1st half 2008
Net income – Group share		**(149)**	**132**
Other income and expenses	(C4)	98	10
Tax impact of other income and expenses		(4)	(2)
Exceptional taxation		-	-
Discontinued operations		-	-
Adjusted net income		**(55)**	**140**

6 Income taxes

The income tax expense is broken down as follows:

In millions of euros	1st half 2009	1st half 2008
Current income taxes	(31)	(42)
Deferred income taxes	1	(1)
Total income taxes	(30)	(43)

The total income tax expense amounts to €30 million at June 30, 2009 compared with €43 million at June 30, 2008.

7 Earnings per share

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

	1st half 2009	1st half 2008
Weighted average number of ordinary shares	60,418,018	60,461,195
Dilutive effect of stock options	-	132 256
Dilutive effect of free share grants	36,955	141 295
Weighted average number of potential ordinary shares	60,454,973	60,734,746

	1st half 2009	1st half 2008
Earnings per share (€)	(2.47)	2.18
Diluted earnings per share (€)	(2.46)	2.17
Adjusted net income per share (€)	(0.91)	2.32
Diluted adjusted net income per share (€)	(0.91)	2.31

8 Intangible assets

The increase mainly reflects the acquisition of Geo Speciality Chemicals' assets.
In the first half of 2009, as in the first half of 2008, the Group did not recognize any impairment on its intangible assets.

9 Property, plant and equipment

In the first half of 2009, capital expenditure on property, plant and equipment amounted to €121 million (€96 million in the first half of 2008). The Group also sold and scrapped property, plant and equipment with a gross value of €26 million (€21 million in the first half of 2008).

In the first half of 2009, the Group did not recognize any impairment on its property, plant and equipment other than the approximately €28 million recorded in the context of restructuring transactions.

10 Inventories

The gross amount of the Group's inventories fell from €1,126 million at December 31, 2008 to €902 million at June 30, 2009 following both a significant reduction in the volumes carried and a reduction in the cost of raw material content.
In the first half of 2009, the Group recognized a net decrease of €15 million in provisions for impairment of inventories. This compared to a net increase of €2 million in provisions for impairment of inventories in the first half of 2008.

11 Shareholders' equity

At January 1, 2008, ARKEMA's 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, with the price being set by the Board of Directors in its meeting of March 4, 2008. Following this operation, Arkema S.A.'s share capital was increased to €610.7 million divided into 61,072,285 shares.
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.
During the second half of 2008, the company firstly carried out a capital increase of €1.4 million (being 141,105 shares) by incorporating reserves into share capital following the free share grant and, secondly, carried out a capital decrease of €7.6 million (being 759,567 shares) by cancelling a portion of the treasury shares purchased in the context of the share buyback program.
At December 31, 2008, the Group still held 39,707 treasury shares accounted for as a deduction from shareholders' equity.
Following the above transactions, Arkema S.A.'s share capital amounted to €604.5 million and was composed of 60,454,973 shares.

During the first half of 2009, the company bought back 48,300 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 87,600 treasury shares to employees. The company therefore only holds 407 treasury shares at June 30, 2009.

The shareholders' general meeting of June 15, 2009 adopted a resolution proposing to distribute a dividend of 0.60 euros per share, being a total amount of €36 million, in respect of the 2008 financial year.

12 Provisions and other non-current liabilities

12.1 Other non-current liabilities

Other non-current liabilities amount to €35 million at June 30, 2009 compared with €34 million at December 31, 2008.

12.2 Provisions

In millions of euros	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Litigation and other	Total
At December 31, 2008	341	206	109	145	801
Increases in provisions	14	1	68	6	89
Reversals in provisions on use	(6)	(5)	(32)	(7)	(50)
Reversals of unused provisions	(3)	-	(1)	(1)	(5)
Changes in scope	1	-	-	-	1
Translation adjustments	(2)	(1)	-	-	(3)
Other*	12	-	-	-	12
Discontinued operations	-	-	-	-	-
At June 30, 2009	**357**	**201**	**144**	**143**	**845**

*Including actuarial gains and losses for the period.

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

In millions of euros	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at June 30, 2009	**357**	**201**	**144**	**143**	**845**
Portion of provisions covered by receivables or deposits	**-**	**38**	**-**	**30**	**68**
Deferred tax asset related to amounts covered	-	22	-	4	26
Pension assets	**2**	**-**	**-**	**-**	**2**
Provisions at June 30, 2009 net of non-current assets	**355**	**141**	**144**	**109**	**749**

12.3 Provisions for pensions and similar benefits

At June 30, 2009, provisions for pensions and similar benefits are comprised of pension benefit obligations for €251 million (€236 million at December 31, 2008), healthcare plans for €57 million (€57 million at December 31, 2008), long-service awards for €45 million (€43 million at December 31, 2008) and Group pre-retirement plans for €4 million (€5 million at December 31, 2008).

Net pension assets amount to €2 million at June 30, 2009 (€3 million at December 31, 2008).

ARKEMA retained the following discount rates at June 30, 2009:

Pension benefit commitments and healthcare plans commitments	Europe	USA
At June 30, 2009	5.10% - 5.90%	6.20%
At December 31, 2008	5.40% - 6.35%	6.20%

Long-service awards	Europe
At June 30, 2009	4.50%
At December 31, 2008	5.00% - 5.50%

The present value of the defined benefit obligations at the end of 2008 was adjusted, on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2008 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, 2009.

The changes in discount rates and the remeasurement of plan assets have the following effects at June 30, 2009:

In millions of euros	Changes in discount rates	Remeasurement of plan assets
Actuarial gains and losses recognized in shareholders' equity (net of income taxes)		
Actuarial gains & losses related to pensions and healthcare plans	(8)	(2)
Benefit obligations recognized in balance sheet liabilities		
Pensions and other long-term benefits	12	3
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 €102 million;

- In the United States for €78 million, of which €60 million in respect of former industrial sites covered by the indemnity from Total (receivable recognized in “other non-current assets” for an amount of €38 million) (see note C18.2, “Off-balance sheet commitments / Commitments received”).

12.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €125 million, in Europe outside France for €7 million and in the United States for €10 million.

12.6 Other provisions

Other provisions are comprised of provisions for removal of asbestos for €11 million and provisions for litigation recognized in relation to proceedings being carried out in Europe in the area of antitrust legislation (provision in liabilities for €31 million minus €24 million recognized in other non-current assets, standing for the fines already paid but in respect of which Arkema has brought appeals against).

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 in the financial statements to the best of their knowledge. 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.

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

However, in the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. "pump and treat"), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be higher than the amounts covered by 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 – "j*onction 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, 2008.
The financial risk associated with all the 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, 2009) of which €24.2 million have given rise to payments covered by appeals by Arkema France filed with the Court of First Instance of the European Communities.

Proceedings carried out by the European Commission

In March 2009, the European Commission provided Arkema France with a statement of objection relating to alleged breaches of European law concerning the "Heat stabilizers" case for which the Commission's investigation began in February 2003. Arkema France provided the Commission with a written response in May 2009. The Commission's decision is expected by the end of 2009.

The proceedings 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, hydrogen peroxide, methacrylates and sodium chlorate cases are still pending with the court.

In May 2009, Arkema France was informed of a claim for compensation lodged with the Dortmund (Germany) Tribunal by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA, an entity formed for the specific purpose of bringing civil claims against the former members of the hydrogen peroxide cartel already condemned by the European Commission. To this end, CDC has purchased the rights to claim of a certain number of hydrogen peroxide customers in whose name it is thus now acting.
Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitively held against it by the competent jurisdiction after exercise of any recourse available and so has not recognized any provisions in this respect.

These various events have not led to any change being made to the overall provision recognized at December 31, 2008.

Proceedings in the United States and Canada

In 2008 and early 2009, the appeal courts ruled that the trial courts erred when they granted class certification of direct purchaser classes in the hydrogen peroxide matter and in the plastics additives matters; the appeal court has remanded each of those cases back to the trial courts for further proceedings consistent with proper class certification standards. Following those appellate decisions, Arkema Inc. and Arkema France executed separate settlement agreements during the first half of 2009, subject to court approval, with the direct purchaser class in hydrogen peroxide and with the direct purchaser class of MMA/PMMA products. The issue of class certification in the plastics additives direct purchaser action remains pending before the trial court.

A direct purchaser of plastics additives and several direct purchasers of hydrogen peroxide had also brought individual actions against Arkema Inc. and Arkema France, alleging violation of federal US antitrust laws. At the end of the first half of 2009, only one individual claim brought by direct purchasers of hydrogen peroxide remains pending.

Indirect purchasers of hydrogen peroxide, and of plastics additives, respectively, had brought putative class actions against Arkema Inc. alleging violation of state competition laws. These cases are still pending in federal court in the United States and California state court. During the first half of 2009 Arkema Inc. and Arkema France executed a settlement, subject to court approval, with the indirect purchaser class of MMA/PMMA; following questions raised by the court at the preliminary approval hearing, the indirect class voluntarily dismissed the action, making, as a result, the said settlement null and void.

In Canada, a number of civil actions alleging violations of Canadian competition laws concerning hydrogen peroxide products were filed in Quebec, Ontario and British Columbia in 2005 and 2006. As at the date of this document, no class has been certified by the courts.

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 2009, 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, the contingent liability relating to Arkema France's supply of various products for coating of items used in sanitary treatment facilities, or the action brought by Total against the customs administration with the aim of obtaining cancellation of the pollution tax levied in respect of emissions produced by Total on behalf of Arkema France in particular.

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 collective 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 2009 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.

Norit Americas, Inc. (Norit) acquired an active carbon production unit from Arkema Inc., located in Pryor (Oklahoma, United States). Initially, Norit made a claim against Arkema Inc. for an indemnity, alleging breach by Arkema Inc. of the provisions of the Clean Air Act on that site. The parties had entered into a standstill agreement upon the expiry of which in August 2009 they would continue to proceed with their respective claims. Arkema Inc.'s claim is for the payment of the balance of the price of the production unit yet to be paid by Norit, and Norit's claims are for indemnities in respect of environmental matters. Provisions have been made in the Group's accounts for this litigation, in amounts which the Group considers to be sufficient.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments arose in the first half of 2009 in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere.

- Arkema Quimica Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Quimica Limitada, offset certain tax assets and liabilities commencing in 2000. The Brazilian government contests the justification for this offset and has claimed repayment of 16.7 million of reais (around €5.5 million).

Arkema Quimica Limitada has been required to provide a guarantee for the amount of the tax administration's claim (in the form of a cash deposit and a pledge of other assets) and in parallel has lodged via its lawyers, in mid-June, a counter-claim for cancellation of the tax administration's claim which is deemed to have reasonable chances of success. No provision has therefore been recognized in this respect at June 30, 2009.

14 Debt

Group net debt amounted to €420 million at the end of June 2009, taking account of cash and cash equivalents of €64 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 €1.1 billion and maturing on March 31, 2013.

At the end of June 2009, the average interest rate of the syndicated credit facility is approximately 1.6% and the unused amount under the credit facility is €800 million.

14.1 Analysis of net debt by category

In millions of euros	30.06.2009	31.12.2008
Finance lease obligations	15	16
Bank loans	41	28
Other non-current debt	26	25
Non-current debt	**82**	**69**
Finance lease obligations	2	2
Syndicated credit facility*	300	410
Other bank loans	90	69
Other current debt	10	12
Current debt	**402**	**493**
Debt	**484**	**562**
Cash and cash equivalents	64	67
Net debt	**420**	**495**

*Cf. 14.2

14.2 Analysis of debt by maturity

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

In millions of euros	30.06.2009	31.12.2008
Less than 1 year*	406	497
Between 1 and 2 years	9	8
Between 2 and 3 years	9	8
Between 3 and 4 years	29	27
Between 4 and 5 years	6	3
More than 5 years	41	34
Total	**500**	**577**

*Amounts maturing in less than 1 year include the current drawings under the syndicated credit facility. Even though it matures in March 2013, this syndicated credit facility is classified in current debts as it is used in the form of revolving short-term drawings.

14.3 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

In millions of euros	30.06.2009	31.12.2008
Euros	411	491
US dollars	18	20
Chinese Yuan	48	39
Korean Won	4	8
Other currencies	3	4
Total	**484**	**562**

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 the Group's forward foreign currency contracts is a liability of €2.7 million.
The foreign exchange gains and losses recognized in recurring operating income at June 30, 2009 are a gain of €1.2 million (loss of €2.9 million at June 30, 2008).
The portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result and amounts to -€0.7 million at June 30, 2009 (-€0.8 million at June 30, 2008).

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 had not entered into any interest rate hedges at June 30, 2009.

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, 2009, consolidated net debt represents 1.4 times consolidated EBITDA of the last 12 months.
Note C14, "Debt" provides details of the maturities of debt.

15.4 Credit risk

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

Credit risk on accounts receivable is limited because of the large number of its clients and their geographical dispersion. The Group's general policy for managing credit risk involves assessing the solvency of each new customer before entering into business relations: each customer is allocated a credit limit, which constitutes the maximum level of outstandings (receivables plus orders) accepted by the Group on the basis of the financial information obtained on the customer and the analysis of solvency carried out by the Group. These credit limits are revised regularly and, in any case, every time that a material change occurs in the customer's financial position. Customers who cannot obtain a credit limit because their financial position is not compatible with the Group's requirements in terms of solvency only receive deliveries when they have paid for their order.
Even though the Group has incurred very few bad debts for the last number of years, it has decided to cover all of its accounts receivable credit risk by putting in place a global credit insurance program. Roll-out of this program is in progess. On account of the statistically low bad debt rate experienced by the Group, the rate of cover is significant. Customers with whom the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

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

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

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 such derivatives in the financial statements for the first half of 2009 amount to a charge of €1.4 million (amount not material in the first half of 2008).

16 Related parties

16.1 Transactions with non-consolidated or equity accounted companies

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are 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	
Transactions	1st half 2009	1st half 2008
Sales of goods	-	-
Other income	8	1
Purchases of goods and services	(14)	(11)
Other expenses (including financial expenses)	-	-
Balance sheet amounts resulting from transactions	30.06.2009	31.12.2008
Assets		
Accounts receivable	1	1
Financial receivables and other receivables	4	4
Liabilities		
Accounts payable	1	1
Debt and other creditors	-	-

16.2 Compensation of key management personnel

No specific transaction was made with key management personnel over the 1st half of 2009, except the waiver of free shares' allocation, as mentioned in note 17.2.

17 Share-based payments

17.1 Stock options

In the light of the current unprecedented economic context and following a proposal from its Chairman, Arkema's Board of Directors decided not to grant any stock options in 2009.

The main characteristics of the outstanding stock option plans at June 30, 2009 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	1,150	-	-	1,150
In circulation at December 31, 2008	**534,850**	**592,200**	**460,000**	**1,587,050**
In circulation at January 1, 2009	534,850	592,200	460,000	1,587,050
Granted	-	-	-	-
Cancelled	-	1,000	5,586	6,586
Exercised	-	-	-	-
In circulation at June 30, 2009	**534,850**	**591,200**	**454,414**	**1,580,464**

Valuation method

The fair value of the options granted was determined using the Black and 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 interest 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 amount of the expense recognized at June 30, 2009 in respect of stock options is €1.9 million (€2.3 million at June 30, 2008).

17.2 Free share grants

On May 12, 2009, the Board of Directors decided to put in place a performance share award scheme for the benefit of employees and in particular, of those employees with responsibilities whose exercise influences the Group's results.

The Chairman and CEO, as well as the members of the Group's Executive Committee, have decided to waive any such grant of performance shares.

The definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms both of free cash flow and of the trend in ARKEMA's EBITDA compared to a panel of other manufacturers of chemicals.

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

	2007 Plan	**2008 Plan 1**	**2008 Plan 2**	**2009 Plan**	
Date of Annual General Meeting	10-May-06	10-May-06	10-May-06	10-May-06	
Date of Board of Directors meeting	14-May-07	13-May-08	13-May-08	12-May-09	
Vesting period	2 years	2 years	2 years	2 years	
Conservation period	2 years	2 years	2 years	2 years	
Performance condition	Yes	Yes	No	Yes	
Number of free shares					**Total**
In circulation at January 1, 2007	-	-	-	-	150,000
Allocated	125,000	-	-	-	125,000
Cancelled	-	-	-	-	6,685
Definitively granted	-	-	-	-	-
In circulation at December 31, 2007	**125,000**	**-**	**-**	**-**	**268,315**
In circulation at January 1, 2008	125,000	-	-	-	268,315
Allocated	-	135,556	44,444	-	180,000
Cancelled	995	-	-	-	3,205
Definitively granted	-	-	-	-	141,105
In circulation at December 31, 2008	**124,005**	**135,556**	**44,444**	**-**	**304,005**
In circulation at January 1, 2009	124,005	135,556	44,444	-	304,005
Allocated	-	-	-	184,850	184,850
Cancelled	36,405	3,150	1,157	49,000	89,712
Definitively granted	87,600	-	-	-	87,600
In circulation at June 30, 2009	**0**	**132,406**	**43,287**	**135,850**	**311,543**

The amount of the expense recognized at June 30, 2009 in respect of free share plans is €0.1 million (€2.8 million at June 30, 2008).

18 Off-balance sheet commitments

18.1 Commitments given

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

The main commitments given are summarized in the table below:

In millions of euros	30.06.2009	31.12.2008
Guarantees granted	65	65
Comfort letters	2	2
Contractual guarantees	12	23
Customs and excise guarantees	8	8
Total	**87**	**98**

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" type clauses.

The total amount of the Group's financial commitments is valued at €609 million at June 30, 2009 (see the maturity schedule below). The decrease in purchase commitments mainly reflects the drop in raw material prices observed during the first half of 2009.

In millions of euros	30.06.2009	31.12.2008
2009	124	299
2010	135	159
2011	112	139
2012	51	68
2013 until expiry of the contracts	187	298
Total	**609**	**963**

- 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).

	30.06.2009		31.12.2008	
In millions of euros	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2009	1	16	3	20
2010	3	25	3	20
2011	3	24	3	17
2012	2	22	2	16
2013 and beyond	12	102	12	78
Nominal value of future lease payments	**21**	**189**	**22**	**151**
Finance cost	5	NA	5	NA
Present value	**16**	**NA**	**17**	**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. ARKEMA has sometimes 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 by ARKEMA amounted to €85 million at June 30, 2009 (€84 million at December 31, 2008). 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 extended 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 28.2 to the consolidated financial statements for the year ended December 31, 2008.

19 Subsequent events

None

SCOPE OF CONSOLIDATION AT JUNE 30, 2009

(a) Companies consolidated for the first time in the 2nd half of 2008
(b) Companies acquired in the 2nd half of 2008
(c) Companies merged in the 2nd half of 2008
(d) Companies consolidated for the first time in 2009
(e) Companies acquired in 2009
(f) Companies sold in 2009

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	Croatia	100.00	FC
Alphacan Espana SA	Spain	99.92	FC
Alphacan Perfiles SLU	Spain	99.92	FC
Alphacan SA	France	100.00	FC
Alphacan SPA	Italy	100.00	FC
Altuglas International Denmark A/S	Denmark	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	Italy	100.00	FC
Altumax Deutschland GmbH	Germany	100.00	FC
Altumax Europe SAS	France	100.00	FC
American Acryl LP	United States	50.00	PC
American Acryl NA LLC	United States	50.00	PC
Arkema	South Korea	100.00	FC
Arkema SA	France	100.00	FC
Arkema Amériques SAS	France	100.00	FC
Arkema Asie	France	100.00	FC
Arkema Beijing Chemicals Co. Ltd	China	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		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe SAS		France	100.00	FC
Arkema Europe Holdings BV	(c)	Netherlands	100.00	FC
Arkema Finance Nederland BV	(c)	Netherlands	100.00	FC
Arkema France		France	100.00	FC
Arkema Gas Odorants LLC	(b)	United States	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Guangzhou Chemicals Co. Ltd	(f)	China	100.00	FC
Arkema Holding Ltd		United Kingdom	100.00	FC
Arkema Holland Holding BV	(c)	Netherlands	100.00	FC
Arkema Inc.		United States	100.00	FC
Arkema Iniciadores SA de CV		Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd (UK)		United Kingdom	100.00	FC
Arkema Ltd (Vietnam)		Vietnam	100.00	FC
Arkema Mexico	(d)	Mexico	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 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		China	100.00	FC
Coatex SAS		France	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex Inc		United States	100.00	FC

Coatex Korea		South Korea	100.00	FC
Coatex CEE		Slovakia	100.00	FC
Coatex NA		United States	100.00	FC
Coatex Asia Pacific		South Korea	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong-Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai)	(a)	China	40.00	PC
Delaware Chemicals Corporation		United States	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
Oxford Performance Materials	(b)	United States	84.50	FC
Oxochimie		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
Resinoplast North America	(d)	Mexico	100.00	FC
SEKI Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co, Ltd		China	93.40	FC
Stannica LLC		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
Winkelmann	(e)	Italy	100.00	FC

NB: FC: full consolidation PC: proportionate consolidation EM: consolidation by the equity method

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

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30th 2009 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 Review Report on the first half-year information for 2009 (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

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

This is a free translation into English of the statutory auditors' review 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: €.604 549 730

Statutory Auditors' Review Report on the first half-year financial information for 2009 (free translation of the French original)

To the Shareholders,

Following our appointment as statutory auditors by your Annual General Meetings, and in accordance with 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, 2009;
- 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. They have been prepared in a context, described in the chapter V "Outlooks for 2009" of the half year management report, of strong volatility of markets and economic crisis, which is also characterized by a true difficulty to assess what future prospects will be (as it was already the case at the end of the year ended December 31, 2008). 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 - standard of the IFRS 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, July 31, 2009

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