ARKEMA
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Press release

Communiqué de presse

Paris, August 7th, 2008

ARKEMA: 2ND QUARTER 2008 RESULTS

VERY SIGNIFICANT IMPROVEMENT IN NET INCOME, UP 160% COMPARED TO 2ND QUARTER 2007

- **+6.4% organic growth in sales[1], mainly driven by price increases (+5.4%)**
- **EBITDA at €158 million up +5% (+11% excluding currency conversion impact) in a more challenging economic environment**
- **Significant improvement in the results of Industrial Chemicals and Performance Products segments:**
    - **EBITDA up by approximately +20%**
    - **EBITDA margins exceeding 14%**
- **10% EBITDA margin target for 2008 on course**

(in millions of euros)	2nd quarter 2007	2nd quarter 2008	Variation
Sales	**1,489**	**1,509**	**+1.3%**
EBITDA	**150**	**158**	**+5.3%**
EBITDA margin	***10.1%***	***10.5%***	
Vinyl Products	*8.8%*	*3.5%*	
Industrial Chemicals	*12.3%*	*14.1%*	
Performance Products	*11.0%*	*14.2%*	
Recurring operating income	**97**	**97**	**-**
Non-recurring items	(53)	(15)	n/a
Adjusted net income	68	73	+7.4%
Net income – Group share	**23**	**60**	**+160%**

[1] At constant currencies and scope of business

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Société anonyme au capital de 612 133 900 euros
445 074 685 RCS Nanterre

At the close of the Board of Directors meeting which reviewed Arkema's condensed consolidated financial statements for the first six months of 2008, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« Arkema's very strong performance in the second quarter fully illustrates the transformation undertaken within the Group over the last three years. EBITDA margin stands at 10.5% of sales and EBITDA is up 11% at constant conversion rates despite a more challenging environment characterized, in particular, by the sharp increase in the cost of several raw materials. This result is supported by the very significant improvement in the Industrial Chemicals and Performance Products segments, which each reported an EBITDA margin exceeding 14%, moving closer to the best players in the sector.

Over the second half of the year, in an economic environment that remains challenging and uncertain, Arkema will continue to take the necessary measures to adapt accordingly. The 2008 EBITDA margin target is maintained at 10%. »

SECOND QUARTER 2008 PERFORMANCE

Sales in the 2nd quarter 2008 rose 1.3% to €1,509 million, against €1,489 million in the 2nd quarter 2007. Excluding the impact of exchange rates (-4.6%) and variations to the scope of business (-0.5%), sales rose by 6.4%, sustained primarily by price increases (+5.4%) implemented in the Industrial Chemicals and Performance Products segments, while volumes also improved slightly (+1.0%).

EBITDA was up 5.3% to €158 million against €150 million in the 2nd quarter 2007. The conversion effect related to the decline of the US dollar versus the euro is estimated at –€9 million, i.e. an EBITDA growth of 11% excluding the conversion effect. The contribution of new products and productivity measures, in line with the targeted €80 million EBITDA improvement announced for 2008, helped more than compensate the impact of a more challenging economic environment, in particular in the Vinyl Products segment.

Arkema reported an **EBITDA margin** of 10.5% of sales in the quarter against 10.1% in the same period in 2007.

Recurring operating income was stable at €97 million, taking account of higher depreciation charges following the startup of new units.

Non-recurring items stood at -€15 million in the 2nd quarter 2008. This amount corresponds to the cost of restructuring plans announced in the 2nd quarter.

Adjusted net income rose by 7%, while **net income** (Group share) was multiplied by 2.6 to €60 million.

SEGMENT PERFORMANCE

Vinyl Products sales rose by 5.1% to €395 million, against €376 million in the 2nd quarter 2007, underpinned primarily by strong demand for caustic soda and sound volumes for PVC in Europe albeit with strong variations from one country to another. The segment's EBITDA stood at €14 million (against €33 million in the 2nd quarter 2007), with the ongoing and sharp hike of ethylene and natural gas prices weighing heavily on the level of unit margins. The productivity drive continued over this period.

Industrial Chemicals sales rose by 3.6% to €682 million in the 2nd quarter 2008. Excluding the conversion effect and the impact of changes in the scope of business, sales grew by over 6%, sustained by price increases. EBITDA for the segment rose to €96 million in the second quarter, a very significant improvement of 18.5% compared to the 2nd quarter 2007. EBITDA margin reached a high level of 14.1%, against 12.3% in the 2nd quarter 2007, despite acrylics still in low cycle conditions. This improvement is the result of new developments, in particular in Thiochemicals and Fluorochemicals, the successful integration of Coatex, and the productivity measures undertaken over the last two years.

Performance Products sales reached €430 million in the 2nd quarter 2008. Excluding the conversion effect and the impact of changes in the scope of business, sales rose by 8.4%, essentially supported by sales price increases. EBITDA rose very significantly by 22% to €61 million, against €50 million in the 2nd quarter 2007. EBITDA margin reached a historical level of 14.2% (against 11.0% in the 2nd quarter 2007 and 9.3% in the 2nd quarter 2006). The development of new products in fast growing markets (polyamides, fluorinated polymers, molecular sieves, etc.) played a large part in the improvement of the segment's results.

MAIN RESULTS FOR 1ST HALF 2008

(In millions of euros)	1st half 2007	1st half 2008	Variation
Sales	**2,977**	**3,001**	**+0.8%**
EBITDA	**284**	**317**	**+11.6%**
EBITDA margin	***9.5%***	***10.6%***	
Vinyl Products	*8.1%*	*4.0%*	
Industrial Chemicals	*11.2%*	*14.0%*	
Performance Products	*11.4%*	*13.9%*	
Recurring operating income	**177**	**197**	**+11.3%**
Non-recurring items	(79)	(10)	n/a
Adjusted net income	119	140	+17.6%
Net income – Group share	**67**	**132**	**x2.0**

CASH FLOW AND NET DEBT AT JUNE 30 2008

Excluding change in working capital, cash flow related to operations reached €207 million in the 1st half 2008 against €171 million in the 1st half 2007. The change in working capital stood at -€128 million, reflecting the usual seasonality of sales.

Cash flow related to operations and investments in the first six months stood at –€81 million against +€132 million in the 1st half 2007, which included proceeds from portfolio management operations amounting to +€137 million.

Net debt at the end of June stood at €592 million against €459 million at the end of December 2007, corresponding to a ratio of net debt on shareholders' equity of 30%, which confirms the strength of the balance sheet. Net debt end of June takes into account the impact of the share capital increase operation reserved for employees amounting to a total of €19 million, the payment of dividend totaling €46 million, and share buyback operations amounting to €11 million.

2008 OUTLOOK

The economic environment in the 2nd half of the year should remain challenging and uncertain, characterized, in particular, by high and volatile raw material and energy costs and a weak US dollar versus the euro.

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

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

2008 HALF-YEAR REPORT

A half-year activity report and the report from the statutory auditors on half-year financial information are included in the half-year financial report available on the Company's website (www.finance.arkema.com).

A presentation of the results is available in the Results & Presentations section of the Company's website (www.finance.arkema.com).

FINANCIAL CALENDAR

November 13, 2008	3rd quarter 2008 results

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Disclaimer

The information disclosed in this press release may contain forward-looking statements with respect to the financial conditions, results of operations, business and strategy of Arkema. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as, among others, changes in raw materials prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions. Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French Autorité des marchés financiers.

Quarterly financial information is not audited.

Business segment information is presented in accordance with ARKEMA's internal reporting system used by the management.

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 (non-recurring items)*: these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:*

- *impairment losses in respect of property, plant and equipment and intangible assets,*
- *gains or losses on sale of assets,*
- *certain large restructuring and environmental expenses which would hamper the interpretation of recurring operating income,*
- *certain expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations,*
- *costs related to the spin off of Arkema's businesses.*

Recurring operating income*: this is calculated as the difference between operating income and other income and expenses as previously defined.*

EBITDA*: this corresponds to recurring operating income increased by depreciation and amortization (previously referred to as recurring EBITDA).*

Adjusted net income*: this corresponds to the net income - Group share adjusted for:*

- *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,*
- *the net income from discontinued activities.*

Working capital*: this corresponds to the difference between inventories, accounts receivable, other receivables and prepaid expenses and income tax receivables on the one hand and accounts payable, other creditors and accrued liabilities and income tax liabilities on the other hand.*

Capital employed*: this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital.*

Net debt*: this is the difference between current and non-current debt and cash and cash equivalents.*

A global chemical player, Arkema consists of 3 coherent and related business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries with 15,200 employees, Arkema achieves sales of 5.7 billion euros. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets.

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INVESTOR AND ANALYST FACTSHEET

	2Q'07 in €m	2Q'08 in €m	2Q'08/ 2Q'07	1H'07 in €m	1H'08 in €m	1H'08/ 1H'07
Sales	**1,489**	**1,509**	**+1.3%**	**2,977**	**3,001**	**+0.8%**
Vinyl Products	376	395	+ 5.1%	750	784	+ 4.5%
Industrial Chemicals	658	682	+ 3.6%	1,308	1,357	+ 3.7%
Performance Products	453	430	(5.1)%	916	857	(6.4)%
Corporate	2	2		3	3	
EBITDA	**150**	**158**	**+5.3%**	**284**	**317**	**+11.6%**
Vinyl Products	33	14	(57.6)%	61	31	(49.2)%
Industrial Chemicals	81	96	+18.5%	147	190	+29.3%
Performance Products	50	61	+22.0%	104	119	+14.4%
Corporate	(14)	(13)		(28)	(23)	
EBITDA margin	**10.1%**	**10.5%**		**9.5%**	**10.6%**	
Vinyl Products	8.8%	3.5%		8.1%	4.0%	
Industrial Chemicals	12.3%	14.1%		11.2%	14.0%	
Performance Products	11.0%	14.2%		11.4%	13.9%	
Depreciation and amortization	(53)	(61)	+15%	(107)	(120)	+12%
Recurring EBIT	**97**	**97**	**-**	**177**	**197**	**+11.3%**
Vinyl Products	27	4	(85.2%)	49	12	(75.5%)
Industrial Chemicals	56	66	+17.9%	96	131	+36.5%
Performance Products	28	40	+42.9%	61	77	+26.2%
Corporate	(14)	(13)		(29)	(23)	
NR items	**(53)**	**(15)**		**(79)**	**(10)**	
Equity in income of affiliates	2	1		1	3	
Financial results	(5)	(7)		(9)	(14)	
Income taxes	(18)	(15)		(40)	(43)	
Net income of continuing operations	23	61		50	133	
Net income of discontinued operations	-	-		18	-	
Net income – Group share	**23**	**60**	**x2.6**	**67**	**132**	**x2.0**
EPS (diluted)	**0.38**	**0.98**	**x2.6**	**1.10**	**2.17**	**x2.0**
Adjusted EPS (diluted)	1.12	1.20	+7.1%	1.96	2.30	+17.3%
Adjusted net income	68	73	+7.4%	119	140	+17.6%
Capital expenditures	**61**	**63**	**+3.3%**	**108**	**103**	**(4.6)%**
Vinyl Products	19	18		32	29	
Industrial Chemicals	17	29		36	46	
Performance Products	23	15		38	27	
Net cash flow[2]				**132**	**(81)**	
Working capital (vs. 12/31/07)				1,112	1,248	
WC as % of sales[3] (vs. 12/31/07)				**21.1%**	**20.7%**	
Net debt (12/31/07)				**459**	**592**	
NR pre-spin off items (12/31/07)				122	99	
Gearing[4] (12/31/07)				**30%**	**35%**	

[2] Calculated as cash flow from operating activities plus cash flow from investing activities
[3] Calculated as working capital end of period divided by 4 times quarterly sales
[4] Calculated as net financial debt + NR pre-spin off items divided by shareholders' equity

SECOND QUARTER 2008 PERFORMANCE

SALES UP +1.3%

- Sales up +1.3%
- +6.4% organic growth (at constant exchange rate and scope of business)
- Price increases in each of the Industrial Chemicals and Performance Products business units
- Good demand in caustic soda, some fluorochemical lines and Specialty Chemicals, and satisfactory volumes in PVC in Europe compensated for the impact of slowdown of construction in the United States especially in Functional Additives and PMMA

	Volume	Price	Scope	FX rate
Arkema	**+1.0%**	**+5.4%**	**(0.5)%**	**(4.6)%**
Vinyl Products	++	+	+	-
Industrial Chemicals	=	+++	++	---
Performance Products	=	+++	---	--

Legend : "=" : +/- 0.5% "+" : [+0.5% - +2.5%] "++" : [+2.5% - +5%] "+++" : >+5%
"-" : [(0.5)% - (2.5)%] "--" : [(2.5)% - (5)%] "---" : <(5)%

EBITDA UP +5.3% AT €158m

Positive	***Negative***
Price increases	€/$ exchange rate
Restructuring initiatives	Increase in raw material costs
New products in Industrial Chemicals and Performance Products	Margin squeeze in Vinyl Products

- Estimated negative impact from the €/$ exchange rate conversion effect: €(9) million
- Limited contribution from M&A: acquisition of Coatex and PMMA (ex-Repsol) and divestitures of specialty amines (Riverview), urea formaldehyde resins, and superabsorbant polymers business.

VINYL PRODUCTS PERFORMANCE

- Strong demand in caustic soda
- Decent volumes in PVC in Europe with different situations from one country to another
- Margin squeeze resulting from high ethylene and natural gas prices
- Continuing focus on costs

INDUSTRIAL CHEMICALS PERFORMANCE

- +6.1% organic growth supported by price increase in each of the business units
- Positive impact of M&A (acquisition of Coatex and Repsol's PMMA, and divestiture of specialty amines in Riverview and superabsorbant business)
- EBITDA margin at 14.1% (12.3% in 2Q'07)
- Acrylics remain in low cycle conditions
- Negative impact of US dollar vs euro exchange rate
- Benefits from restructuring initiatives in Pierre-Bénite (Fluorochemicals), Lacq (Thiochemicals) and Carling (Acrylics)
- New developments supported by selective debottleneckings of production sites in Europe (+30% DMDS production capacity in Lacq) and US (new HFC-32 production unit in Calvert-City)
- Successful integration of Coatex resulting in a positive contribution from portfolio management

PERFORMANCE PRODUCTS PERFORMANCE

- +8.4% organic growth sustained by price increase in each business unit
- EBITDA margin at its highest historical level 14.2% (11.0% in 2Q'07 and 9.3% in 2Q'06)
- Functional Additives still affected by a slowdown in the US construction market and tin price increase
- Negative impact of divestiture of urea formaldehyde resins and from US dollar vs. euro exchange rate
- Benefits of restructuring initiatives (polyamide business in Technical Polymers and Functional Additives)
- Contribution of new product developments in fast growing markets supported by selective growth projects (polyamides, PVDF, molecular sieves,…)

NON RECURRING ITEMS: €(15) MILLION COMPARED TO €(53) MILLION IN Q2'07

Type in € millions	**2Q'07**	**2Q'08**
Restructuring	(56)	(15)
Capital gain	16	-
Others	(13)	-

CASH FLOWS, NET DEBT AND PROVISIONS

Items	***1H'07***	***1H'08***	***Comments on 1H'08***
Recurring Capex	(94)	(94)	
Variation in WC	(36)	(128)	Seasonality and price increases
NR items	(41)	(25)	Restructuring charges and capital gain on sale of land
NR pre spin off	(36)	(25)	Including € 9m for chlorochemicals CAPEX
Impact from M&A	137	(12)	Mainly acquisition of Repsol's PMMA
Net cash flow	132	(81)	
Rec. FCF before working capital	**108**	**109**	Recurring FCF excludes variation in WC, NR items, M&A

Net debt *(in €m)*	***12/31/07***	***06/30/08***
Net debt	459	592
Remaining pre-spin off NR items	122	99
Equivalent net debt *(12/31/07)*	**581**	**691**
Gearing	*30%*	*35%*

- Payment of dividend of €46 million
- Impact of the share capital increase reserved for employees of €19 million
- Buyback of 315,580 shares for €11 million
- 30% gearing (35% gearing including € 99 million NR pre spin-off)

Remaining pre-spin off NR items as of end of year *(in €m)*	**2007**	**2008**
Provisions booked end 2005	115	101
Cash deposit (European antitrust litigations)	(18)	(18)
Vinyl restructuring plan capex	25	16
Non-recurring pre-spin off items	**122**	**99**

Provisions analysis *(in €m)*	*Current provisions*		*Covered by warranties*		*Included in pre-spin off NR items*		*Total Provisions*	
	12/31/07	**06/30/08**	**12/31/07**	**06/30/08**	**12/31/07**	**06/30/08**	**12/31/07**	**06/30/08**
Pensions*	276	256	-		*15*	*12*	*291*	*268*
Environment	125	122	*63*	*55*	*19*	*18*	*207*	*195*
Restructuring	64	57	-		*50*	*40*	*113*	*97*
Others *(incl. litigations)*	143	133	*4*	*4*	*31*	*31*	*178*	*168*
Total	***608***	***568***	***67***	***59***	***115***	***101***	***789***	***728***

* Provisions for pensions after deduction of pension assets (€15 million at 12/31/2007 and €16 million at 06/30/08)

2008 OUTLOOK:

- Economic environment in the second half of the year should remain challenging and uncertain, characterized, in particular, by high and volatile raw material and energy prices and by a weak US dollar versus euro.
- In this context, Arkema will focus on price increases and will continue the implementation of self-help initiatives.
- Self-help initiatives under implementation, whose impact is estimated at €80 million, will support EBITDA growth.
- Industrial Chemicals and Performance Products segments' result will support the improvement in Arkema's results.
- Vinyl Products will remain affected by the rising cost of ethylene.
- Arkema will take into account the evolution of its environment and will continue its efforts to adapt.
- 2008 target of 10% EBITDA margin on course.
- 2008 recurring capex of around €315 million and around €25 million capex related to the Chlorochemicals consolidation plan.

MAJOR PROJECTS SINCE APRIL 1ST:

- In Functional Additives, consolidation of Arkema's worldwide MBS production in Vlissingen (Netherlands) which should result in cost savings of €3.2 million ($5 million) a year.
- New restructuring project in Pipes & Profiles resulting in 29 job reductions within support functions based at headquarters and at Gaillac production unit (France).
- Plan to expand compounding capacity at Bristol site to meet increasing American demand for Plexiglas® acrylic resin and acrylic capstock products.
- Agreement signed on April 1st with Sumitomo Seika to sell Arkema's superabsorbent polymers business while Arkema continues production in Carling (France).
- Acquisition by CECA (Specialty Chemicals) of SNF Italia's activated carbon and regeneration activity with annual sales of around €4 million.
- Acquisition by Coatex (Specialty Acrylic Polymers) of LyondellBasell's Ethacyl business for concrete and plaster additives markets, with annual sales of around €4 million.
- Plan to reduce greenhouse gas emissions in Changshu (China) by 6 million tonnes CO_2 equivalent a year, which should result in 3.4 million tonnes of CER.

- Following a decision by the European Commission, Arkema was sentenced jointly with Elf Aquitaine to pay a total fine of €59 million for past anti-trust practices in the sodium chlorate market. The fine will have no impact on Arkema's result bearing in mind provisions booked and the warranty agreed with Total at the time of the spin off.
- The Genesis program, coordinated by Arkema, will be funded up to €46 million out of a total cost of €107 million by OSEO (a French public body). This program will allow Arkema to speed up the industrial development of nanostructured materials in direct cooperation with the relevant user sectors.

ARKEMA Financial Statements

Consolidated financial statements - At the end of June 2008

INCOME STATEMENT

(In millions of euros)	2nd Quarter 2008 Consolidated	1st Semester 2008 Consolidated *(audited)*	2nd Quarter 2007 Consolidated	1st Semester 2008 Consolidated *(audited)*
Sales	1 509	3 001	1 489	2 977
Operating expenses	(1 270)	(2 525)	(1 250)	(2 520)
Research and development expenses	(40)	(79)	(38)	(76)
Selling and administrative expenses	(102)	(200)	(104)	(204)
Recurring operating income	**97**	**197**	**97**	**177**
Other income and expenses	(15)	(10)	(53)	(79)
Operating income	**82**	**187**	**44**	**98**
Equity in income of affiliates	1	3	2	1
Financial result	(7)	(14)	(5)	(9)
Income taxes	(15)	(43)	(18)	(40)
Net income of continuing operations	**61**	**133**	**23**	**50**
Net income of discontinued operations	**-**	**-**	**-**	**18**
Net income	**61**	**133**	**23**	**68**
Of which minority interests	1	1	-	1
Net income - Group share	**60**	**132**	**23**	**67**
Earnings per share (amount in euros)	*0,99*	*2,18*	*0,38*	*1,11*
Diluted earnings per share (amount in euros)	*0,98*	*2,17*	*0,38*	*1,10*
Depreciation and amortization	(61)	(120)	(53)	(107)
Recurring EBITDA	158	317	150	284
Adjusted net income	73	140	68	119

BALANCE SHEET

(In millions of euros)	30.06.2008	31.12.2007	
	(audited)	(audited)	
ASSETS			
Intangible assets, net	440	460	
Property, plant and equipment, net	1 497	1 525	
Equity affiliates: investments and loans	43	42	
Other investments	24	24	
Deferred income tax assets	16	18	
Other non-current assets	127	117	(1)
TOTAL NON-CURRENT ASSETS	**2 147**	**2 186**	
Inventories	1 015	1 017	
Accounts receivable	1 151	1 000	
Prepaid expenses and other current assets	142	160	
Income taxes recoverable	11	14	(1)
Other current asset	4	1	
Cash and cash equivalents	73	58	
Total assets of discontinued operations	-	-	
TOTAL CURRENT ASSETS	**2 396**	**2 250**	
TOTAL ASSETS	**4 543**	**4 436**	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	611	605	
Paid-in surplus and retained earnings	1 570	1 449	
Treasury shares	(11)	-	
Cumulative translation adjustment	(210)	(140)	
SHAREHOLDERS' EQUITY - GROUP SHARE	**1 960**	**1 914**	
Minority interests	**20**	**21**	
TOTAL SHAREHOLDERS' EQUITY	**1 980**	**1 935**	
Deferred income tax liabilities	49	54	
Provisions	774	833	
Non-current debt	67	61	
TOTAL NON-CURRENT LIABILITIES	**890**	**948**	
Accounts payable	737	786	
Other creditors and accrued liabilities	299	290	
Income taxes payable	32	15	
Other current liability	7	6	
Current debt	598	456	
Total liabilities of discountinued operations	-	-	
TOTAL CURRENT LIABILITIES	**1 673**	**1 553**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4 543**	**4 436**	

(1) Starting 2007, the Tax Research Credit is reclassified from Income taxes to Other non-current assets.

CASH FLOW STATEMENT

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

(1) Starting 2007, reclassification of the long term portion of the Research Tax Credit from the "Change in working capital" caption to the "Increase in long-term loans" caption.
(2) Starting 2007, reclassification of fixed assets payables from the "Change in working capital" caption to the "Change in fixed asset payables" caption.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(audited)

(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 shareholders' equity
As of January 1, 2008	**60 453 823**	**605**	**1 006**	**443**	**(140)**			**1 914**	**21**	**1 935**
Cash dividend				(46)				(46)		(46)
Issuance of share capital	618 462	6	12					18		18
Purchase of treasury shares						(315 580)	(11)	(11)		(11)
Cancellation of purchased treasury shares										
Sale of treasury shares										
Other										
Transactions with shareholders	**618 462**	**6**	**12**	**(46)**		**(315 580)**	**(11)**	**(39)**		**(39)**
Net income				132				132	1	133
Changes in items recognized directly through equity				5				5		5
Actuarial gains or losses				18				18		18
Change in translation adjustments					(70)			(70)	(2)	(72)
Others										
Total of recognized income and expenses				**155**	**(70)**			**85**	**(1)**	**84**
As of June 30, 2008	**61 072 285**	**611**	**1 018**	**552**	**(210)**	**(315 580)**	**(11)**	**1 960**	**20**	**1 980**

INFORMATION BY BUSINESS SEGMENT

	2nd Quarter 2008				
(In millions of euros)	**Vinyl Products**	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	395	682	430	2	**1 509**
Inter-segment sales	17	37	5	-	
Total sales	**412**	**719**	**435**	**2**	
Recurring operating income	**4**	**66**	**40**	**(13)**	**97**
Other income and expenses	**(4)**	**(7)**	**(4)**	**-**	**(15)**
Operating income	**-**	**59**	**36**	**(13)**	**82**
Equity in income of affiliates	1	-	-	-	1
Depreciation and amortization	(10)	(30)	(21)	-	(61)
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	3	5	1	7	16
Recurring EBITDA	**14**	**96**	**61**	**(13)**	**158**
Intangible assets and property, plant and equipment, additions	**18**	**29**	**15**	**1**	**63**

	2nd Quarter 2007				
(In millions of euros)	**Vinyl Products**	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	376	658	453	2	**1 489**
Inter-segment sales	12	40	5	-	
Total sales	**388**	**698**	**458**	**2**	
Recurring operating income	**27**	**56**	**28**	**(14)**	**97**
Other income and expenses	**6**	**(35)**	**(22)**	**(1)**	**(52)**
Operating income	**33**	**21**	**6**	**(15)**	**45**
Equity in income of affiliates	2	(0)	0	-	2
Depreciation and amortization	(6)	(25)	(22)	-	(53)
Asset impairment	-	-	-	-	
Changes in non-current provisions recognized through income	4	(20)	(5)	17	(4)
Recurring EBITDA	**33**	**81**	**50**	**(14)**	**150**
Intangible assets and property, plant and equipment, additions	**19**	**17**	**23**	**2**	**61**

INFORMATION BY BUSINESS SEGMENT

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

(In millions of euros)	1st Semester 2007				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	750	1 308	916	3	**2 977**
Inter-segment sales	31	80	10	-	
Total sales	**781**	**1 388**	**926**	**3**	
Recurring operating income	**49**	**96**	**61**	**(29)**	**177**
Other income and expenses	**(4)**	**(51)**	**(22)**	**(2)**	**(79)**
Operating income	**45**	**45**	**39**	**(31)**	**98**
Equity in income of affiliates	1	(0)	0	-	1
Depreciation and amortization	(12)	(51)	(43)	(1)	(107)
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	(3)	(38)	(12)	24	(29)
Recurring EBITDA	**61**	**147**	**104**	**(28)**	**284**
Intangible assets and property, plant and equipment, additions	**32**	**36**	**38**	**2**	**108**