Half- year financial report

First half ended 30 June 2017

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I - HALF-YEAR FINANCIAL REPORT

1. FIRST HALF 2017 HIGHLIGHTS

1.1. Organic growth projects

In January 2017, as part of its operational excellence program, the Group announced plans to replace two 45,000 tonnes per year acrylic acid reactors at the end of their life with a single new 90,000 tonnes per year reactor at its Clear Lake site in the United States. With this investment of some US$90 million, Clear Lake will further increase its competitiveness.

In February 2017, the Group announced that it doubled its Kepstan® PEKK production capacities in France, and confirmed an investment in a Kepstan® PEKK world-scale plant at its Mobile site (Alabama) in the United States, expected to come on stream end 2018.

Start-up of new production capacities

In April 2017, Arkema announced that it had brought on stream the 25 % increase in its Kynar® PVDF production capacities on its Changshu platform in China. This investment supports Arkema's growth strategy in Advanced Materials [1] and will enable the Group to continue supporting its customers' growth in Asia, in particular in the new energies and water management markets, as well as in more traditional applications like construction coatings and the chemical process industry.

Arkema inaugurated on 24 April 2017 its new specialty molecular sieve capacity at its Honfleur plant in France. This investment of some €60 million will enable the Group to support its customers' growth in the refining and petrochemicals markets, in particular in Asia and the Middle East and to consolidate its n° 2 world ranking in molecular sieves.

1.2. Acquisitions and divestments

Divestment of oxo-alcohol business

As part of its divestment program, the Group announced, in March 2017, that it had completed the sale to INEOS of its 50 % stake in Oxochimie, their oxo-alcohols manufacturing joint venture, and of the associated business. The revenues thus divested amount, for the Group share, to around €40 million.

Acquisition of CMP Specialty Products business

In May 2017, the Group announced the acquisition by Bostik of CMP Specialty Products, the flooring and floor preparation business of US based specialist CGM. This business, which generated U$15 million sales in 2016, offers strong synergies with Bostik. This acquisition fits perfectly with Bostik's strategy to expand in the growing US construction market and to offer its customers a complete range of solutions for the flooring market. This acquisition is also fully part of the Group strategy to accelerate its growth in Specialty Adhesives with bolt-on acquisitions.

1.3. Financing

On 11 April 2017, Arkema completed a €700 million bond issue with a ten-year maturity at a coupon of 1.5 % per year. On 23 June 2017, Arkema completed a €200 million tap of this bond. These operations enabled the Group to refinance and extend the average maturity of its financial resources in favorable market conditions.

1.4. Miscellaneous

Arkema filed a new complaint with the European Commission against Honeywell for abuse of dominant position with respect to patents covering the use of the refrigerant 1234yf in car air conditioning systems. Consistent with the new complaint, Arkema has withdrawn its previous complaint.

[1] Advanced Materials include two Business Lines: Technical Polymers and Performance Additives.

2. ANALYSIS OF THE FIRST HALF 2017 FINANCIAL RESULTS

The figures in this section are provided on a consolidated basis and in accordance with Arkema's organization into three divisions: High Performance Materials, Industrial Specialties, and Coating Solutions.

2.1. Analysis of Arkema's results

(In millions of euros)	**1st half 2017**	**1st half 2016**	**Change**
Sales	**4,350**	**3,845**	**+ 13.1 %**
EBITDA	**753**	**643**	**+ 17.1 %**
EBITDA margin (%)	**17.3 %**	**16.7 %**	-
Recurring operating income (REBIT)	**530**	**420**	**+ 26.2 %**
REBIT margin	12.2 %	10.9 %	-
Other income and expenses	(30)	(1)	-
Operating income	**500**	**419**	**+ 19.3 %**
Equity in income of affiliates	0	6	-
Financial result	(51)	(50)	+ 2.0 %
Income taxes	(148)	(126)	+ 17.5 %
Net income	**301**	**249**	**+ 20.9 %**
Of which: non-controlling interests	4	4	-
Net income – Group share	**297**	**245**	**+ 21.2 %**
Adjusted net income	**319**	**240**	**+ 32.9 %**

Sales

In 1st half 2017, sales reached €4,350 million, +13.1% up on 1st half 2016. At constant exchange rates and business scope, growth stood at +9.2%. Volumes +3.2% up, grew in the three divisions, driven notably by good demand in Asia and benefits from innovation, in particular in Advanced Materials. The +6.0% price effect, positive in all three business divisions, reflects the gradual improvement in the acrylic cycle, higher prices of certain fluorogases, as well as the Group's actions to adjust its sales prices to the higher raw material cost environment. The +3.2% scope effect primarily reflects the contribution of Den Braven and the impact of the divestment of the activated carbon and filter aid and of the oxo-alcohol businesses. The currency effect was limited at +0.8%.

The share of High Performance Materials represents 45% of Group sales (46% in 1st half 2016). Industrial Specialties are stable at 31%, and Coating Solutions represent 24% (23% in 1st half 2016).

From a geographic standpoint, Europe accounts for 38% of Group sales (37% in 1st half 2016), North America 33% (34% in 1st half 2016), Asia 25% (24% in 1st half 2016), and the rest of the world 4% (5% in 1st half 2016).

EBITDA and recurring operating income

At €753 million, EBITDA reached an all-time high for a semester. +17.1% up on 1st half 2016, it grew significantly in all three business divisions. This excellent performance is supported by growth in Specialty Adhesives with the integration of Den Braven, the benefits from innovation and new projects in Advanced Materials, the return of Fluorogases to high level of results, continuing very favorable market conditions in the MMA/PMMA chain, and a gradual improvement in the acrylic cycle.

At 17.3%, EBITDA margin grew compared to 1st half 2016 (16.7%) despite higher raw material prices.

In line with the very strong EBITDA increase, recurring operating income rose to €530 million from €420 million in 1st half 2016. It includes €223 million depreciation and amortization, stable compared to last year.

REBIT margin, corresponding to recurring operating income over sales, grew at 12.2% from 10.9% in 1st half 2016.

Operating income

Operating income stood at €500 million in 1st half 2017 against €419 million in 1st half 2016. It includes -€30 million other income and expenses. These items essentially correspond to (i) -€23 million depreciation and amortization related to revaluations of tangible and intangible fixed assets carried out as part of the Bostik and Den Braven purchase price allocations and (ii) -€5 million impact of the step-up at market price of Den Braven inventories.

Over the 1st half of 2016, other income and expenses, which amounted to -€1 million, corresponded mostly to depreciation and amortization related to the revaluation of tangible and intangible fixed assets carried out as part of the Bostik purchase price allocation, and the financial consequences of changes to some pension schemes within the Group.

Equity in income of affiliates

Equity in income of affiliates mostly reflects the contribution of the company CJ Bio Malaysia Sdn. Bhd. in which the Group has a 14% stake.

Financial result

Financial result stood at -€51 million against -€50 million in 1st half 2016. Following a €900 million bond issue with a yearly 1.5% coupon in 2nd quarter and before the repayment in the 4th quarter 2017 of a €500 million bond with a yearly 4% coupon, cost of debt temporarily increased compared to last year. This change in the cost of debt was offset by favorable currency effects on debt of certain foreign subsidiaries denominated in currencies other than the one of their accounts and by the variation due to higher discount rates of actuarial gains and losses on provisions for long service awards.

Income taxes

Income taxes amounted to -€148 million against -€126 million in 1st half 2016. It includes a €5 million tax paid on 2016 dividend as well as a €7 million reversal of provisions for deferred tax liabilities accounted for as part of the allocation of the Bostik and Den Braven purchase prices. Excluding these two items, tax rate amounted to 28.3% of the recurring operating income, reflecting the geographic split of the results.

Net income, Group share and adjusted net income

Net income Group share rose significantly to €297 million against €245 million in 1sr half 2016.

Excluding the impact after tax of non-recurring items, adjusted net income stood at €319 million against €240 million in 1st half 2016, *i.e.* €4.22 per share (€3.21 per share in 1st half 2016).

2.2. Analysis of results by division

HIGH PERFORMANCE MATERIALS

(In millions of euros)	1st half 2017	1st half 2016	Change
Sales	**1,966**	**1,747**	**+ 12.5 %**
EBITDA	**340**	**314**	**+ 8.3 %**
EBITDA margin (%)	**17.3 %**	**18.0 %**	-
Recurring operating income (REBIT)	**262**	**237**	**+ 10.5 %**
REBIT margin	13.3 %	13.6 %	-

Sales in **High Performance Materials** stood at €1,966 million, +12.5 % up on 1st half 2016. The +7.5% scope effect mainly reflects the integration of Den Braven, as well as the divestment of the activated carbon and filter aid business. At constant exchange rate and business scope, sales grew by +5.0% with volumes up +3.5%, in particular in Asia in Technical Polymers, where demand in the areas of lightweighting and design of materials, new energies and automotive is strong. Demand progressed in specialty molecular sieves for petrochemical applications with the ramp-up of the new Honfleur unit (France). The price effect was positive at +1.5%, reflecting the Group's actions to adjust its sales prices to higher raw material costs.

EBITDA grew to €340 million, +8.3% up on 1st half 2016 (€314 million in 1st half 2016), and EBITDA margin stood at 17.3% (18.0% in 1st half 2016), resisting well in a context of higher raw material costs and despite the impact of the large maintenance turnaround in 2nd quarter 2017 in specialty polyamides in Marseille (France). This performance was supported by good volume growth, in particular in Advanced Materials, which comprise Technical Polymers and Performance Additives, and by the growth of Specialty Adhesives which benefited notably from the integration of Den Braven. In Specialty Adhesives, which now account for over half of the division's sales, EBITDA margin over the 1st half of the year resisted well at 13.3% (13.8% in 1st half 2016).

In line with the very strong EBITDA progression, recurring operating income stood at €262 million, and included €78 million depreciation and amortization, overall stable compared to last year. REBIT margin amounted to 13.3% in 1st half, close to last year (13.6% in 1st half 2016).

INDUSTRIAL SPECIALTIES

(In millions of euros)	1st half 2017	1st half 2016	Change
Sales	**1,345**	**1,195**	**+ 12.6 %**
EBITDA	**316**	**263**	**+ 20.2 %**
EBITDA margin (%)	**23.5 %**	**22.0 %**	-
Recurring operating income (REBIT)	**227**	**177**	**+ 28.2 %**
REBIT margin	16.9 %	14.8 %	-

Sales in **Industrial Specialties** reached €1,345 million, +12.6% up on 1st half 2016. At constant exchange rate and business scope, sales grew by +11.1%, driven by a +4.2% increase in volumes. The +6.9% price effect mostly reflects the ongoing improvement in the prices of certain fluorogases in the three main geographic regions as well as market conditions in the MMA/PMMA chain. The currency effect was positive at +1.5%.

At €316 million, the division's EBITDA was up by +20.2% compared to the 1st half 2016 (€263 million), while EBITDA margin rose to 23.5 %, strongly up on last year (22.0% in 1st half 2016). These results reflect the return of fluorogases to high levels of results, the ongoing very good market conditions in MMA/PMMA, that could however start to normalize by year-end, and the solid performance of Thiochemicals. In Fluorogases, the Group should by year-end achieve the target it had set itself for end 2018 to improve this activity's EBITDA by €100 million compared to 2014.

Recurring operating income stood at €227 million and included €89 million depreciation and amortization, slightly up compared to last year (€86 million). REBIT margin reached 16.9%, strongly up on last year (14.8% in first half 2016).

<u>COATING SOLUTIONS</u>

(In millions of euros)	**1st half 2017**	**1st half 2016**	**Change**
Sales	**1,024**	**889**	**+ 15.2 %**
EBITDA	**138**	**113**	**+ 22.1 %**
EBITDA margin (%)	**13.5 %**	**12.7 %**	-
Recurring operating income (REBIT)	**83**	**54**	**+ 53.7 %**
REBIT margin	8.1 %	6.1 %	-

At €1,024 million, sales in **Coating Solutions** rose by +15.2% compared to 1st half 2016, supported by a +13.9% price effect reflecting some improvement in the acrylic cycle and the actions to raise sales prices in the entire chain. Volumes were up by +1.1%, and include in the 2nd quarter 2017 the impact of the large maintenance turnaround at Clear Lake in the United States in acrylic monomers and of inventory adjustments at certain customers in paints and coatings following the very strong start to the year in a context of rising propylene prices. The divestment of the oxo-alcohol business resulted in a -1.1% scope effect. The currency effect was positive at +1.2%.

At €138 million, EBITDA was +22.1% up over last year (€113 million in 1st half 2016), and EBITDA margin stood at 13.5% (12.7% in 1st half 2016). In line with the Group's assumptions for 2017, unit margins in acrylic monomers gradually improved compared to the low points of 1st half 2016. This improvement largely offset the impact of the Clear Lake large maintenance turnaround and the impact in acrylic downstream activities of higher raw material costs, including acrylic acid, which affected their performance in particular during the 2nd quarter. This latter impact should diminish significantly over the rest of the year given the actions made to pass through the higher cost of raw materials.

Recurring operating income stood at €83 million and included €55 million depreciation and amortization down on last year (€59 million). REBIT margin reached 8.1% over the 1st half 2017, up compared to the 1st half 2016 (6.1%).

2.3. Group's cash flow analysis

(In millions of euros)	1st half 2017	1st half 2016
Cash flow from operating activities	**315**	**259**
Cash flow from investing activities	**(203)**	**(222)**
Net cash flow	**112**	**37**
Net cash flow from portfolio management	(2)	(5)
Free cash flow *	**114**	**42**
Non-recurring items including non-recurring capital expenditure	(13)	(19)
Recurring cash flow **	**127**	**61**
Cash flow from financing activities	**720**	**(104)**
Variation in cash and cash equivalents	**832**	**(67)**

* *Cash flow from operations and investments excluding the impact of portfolio management*
** *Net cash flow excluding the impact of portfolio management and non-recurring items*

Cash flow from operating activities

In 1st half 2017, the Group generated +€315 million operating cash flow, up +€56 million on that of 1st half 2016 (+€259 million). This strong increase reflects the +€110 million growth in EBITDA compared to the 1st half of 2016, partially offset by an increase in working capital excluding non-recurring items (2) (-€237 million working capital outflow in 1st half 2017 against -€189 million in 1st half 2016) due to the usual seasonality of the activity, a significant increase in sales and higher prices of some raw materials since end 2016.

Cash flow from operating activities also includes -€145 million current income taxes (-€129 million in 1st half 2016) and -€46 million cash items in the financial result (-€42 million in 1st half 2016). Finally, it includes non-recurring items mostly corresponding to restructuring costs totaling -€15 million (-€21 million in 1st half 2016) and portfolio management operations amounting to -€3 million (-€1 million in 1st half 2016).

Cash flow from investing activities

Cash flow from investing activities amounted to -€203 million in 1st half 2017 against -€222 million in 1st half 2016. It includes €137 million (3) capital expenditure in tangible and intangible assets against €148 million in 1st half 2016. Over the full year, the Group's capital expenditure should be close to €450 million.

It also includes a -€56 million variation in fixed asset payables (-€47 million in 1st half 2016) and included, in 1st half 2016, a -€17 million flow corresponding to the loans granted to employees as part of the share capital increase reserved for employees finalized in April 2016.

Cash flow from portfolio management was very limited over the semester (+€1 million), the impact of the acquisition of CMP business being almost fully compensated by the impact of the divestment of the oxo-alcohol business.

Recurring cash flow and free cash flow

Excluding non-recurring items and portfolio management operations, recurring cash flow stood at +€127 million in 1st half 2017 against +€61 million in 1st half 2016.

Free cash flow, which corresponds to the net cash flow excluding the impact of portfolio management, stood at +€114 million in 1st half 2017 against +€42 million in 1st half 2016.

Group's net cash flow

After taking account of the impact of portfolio management, the Group's net cash flow stood at +€112 million in 1st half 2017 compared to +€37 million in 1st half 2016.

Cash flow from financing activities

Cash flow from financing activities reached +€720 million in 1st half 2017, against -€104 million in 1st half 2016. It primarily includes a bond issue for a net amount totaling €891 million and the payment of a €2.05 dividend per share in respect of the 2016 financial year, totaling €155 million.

(2) *Excluding +€8 million non-recurring items mostly linked to portfolio management operations.*

(3) *Excluding investments relating to portfolio management operations. In 2016, excluding €20 million corresponding to asset reallocation without impact on net debt.*

In 1st half 2016, the -€104 million cash flow from financing activities included mainly the dividend payment and a share capital increase reserved for employees.

2.4. Group's balance sheet analysis

(In millions of euros)	**30/06/2017**	**31/12/2016**	**Change**
Non-current assets (1)	5,502	5,724	-3.9 %
Working capital	1,366	1,105	+23.6 %
Capital employed	**6,868**	**6,829**	**+0,6 %**
Deferred tax assets	163	171	-4.7 %
Provisions for pensions and employee benefits	506	520	-2.7 %
Other provisions	397	419	-5.3 %
Total provisions	**903**	**939**	**-3.8 %**
Long-term assets covering some provisions	69	76	-9.2 %
Total provisions net of non-current assets	**834**	**863**	**-3.4 %**
Deferred tax liabilities	321	285	+12.6 %
Net debt	**1,471**	**1,482**	**-0.7 %**
Shareholders' equity	**4,293**	**4,249**	**+1.0 %**
(1) Excluding deferred taxes.			

Between 31 December 2016 and 30 June 2017, non-current assets decreased by €222 million. This variation was primarily due to:

- €137 million tangible and intangible capital expenditure (4);
- €246 million net depreciation and amortization including €23 million depreciation and amortization resulting from the revaluation at fair value of tangible and intangible fixed assets as part of Bostik and Den Braven purchase price allocations;
- a €168 million negative currency effect mainly related to the strengthening of the euro versus the US dollar at the close of the period; and
- a €45 million net amount resulting from the finalization of Den Braven purchase price allocation, the integration of CMP's assets and the disposal of the assets of the oxo-alcohol business.

At 30 June 2017, working capital was up by €261 million compared to 31 December 2016 including a -€55 million currency effect due to the weakening of the US dollar versus the euro at the close of the period. This increase mainly reflects the usual seasonality of working capital and a stronger business activity than last year. At 30 June 2017, the working capital to annualized sales ratio (5) stood at 15.5%, significantly down compared to 30 June 2016 (17.2%).

Consequently, between 31 December 2016 and 30 June 2017, the Group's capital employed increased by €39 million to reach €6,868 million by 30 June 2017.

At 30 June 2017, gross provisions amounted to €903 million. Some of these provisions, accounting for a total of €69 million at this date, are covered by a guarantee facility granted by Total and described in note 16.2 to the notes to the condensed interim consolidated financial statements at 30 June 2017 and therefore by long-term assets recognized on the balance sheet. These mainly consist of provisions related to former industrial sites in the United States. Accordingly, at 30 June 2017, the provisions net of these non-current assets amounted to €834 million.

The breakdown of net provisions by type was as follows: €352 million pension liabilities (€366 million at 31 December 2016), €154 million other employee benefit obligations, stable compared to 31 December 2016, €130 million environmental contingencies (€131 million at 31 December 2016), €41 million restructuring provisions (€47 million at 31 December 2015), and €157 million other provisions (€165 million at 31 December 2016).

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(4) *Excluding investments relating to portfolio management operations.*

(5) *Computed as working capital at 30 June / (2nd quarter sales * 4). At 30 June 2016, the working capital included fixed asset payable relating to the transfer of an acrylic acid production line to the joint-venture Taixing Sunke Chemicals. The ratio computation at 30 June 2016 excludes this item.*

Between 31 December 2016 and 30 June 2017, net provisions for pension liabilities decreased by €14 million, the negative impact of changes in discount rates being offset by the revaluation of financial assets and by a positive currency impact resulting from the strengthening of the euro versus the US dollar at the close of the period. The €15 million decrease in other net provisions mainly came from a -€16 million currency effect mainly resulting from the strengthening of the euro versus the US dollar at the close of the period, the reversal of provisions being offset by the increase in provisions booked during the same semester.

Net debt amounted to €1,471 million at 30 June 2017 (€1,482 million at 31 December 2016), *i.e.* 34% of shareholders' equity. It includes the payment of the dividend for a total amount of €155 million. The variation in net debt is explained by cash flows as detailed in paragraph 2.3 of this report, and by a positive currency effect on the Group's debt swapped in US dollars.

Shareholders' equity amounted to €4,293 million against €4,249 million at end 2016. The €44 million increase primarily corresponds to (i) €301 million net income for the period, (ii) the payment of a dividend of €2.05 per share totaling €155 million, and (iii) €132 million net negative currency translation adjustments. Over the 1st half 2017, variation in actuarial gains and losses on provisions for pensions booked in equity was not material.

3. TRANSACTION WITH RELATED PARTIES

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or companies which are accounted for under the equity method. The values involved are not significant.

4. HIGHLIGHTS SINCE 30 JUNE 2017

In July 2017, Arkema announced several significant growth projects in two of its main future growth pillars: Advanced Materials and Thiochemicals.

In Advanced Materials, the Group announced an investment plan of some €300 million in Asia over five years in the bio-based polyamide 11 chain to support the strong growth of its customers in particular in automotive, 3D printing, as well as in consumer goods like sports or electronics. This new plant, which will produce both amino 11 monomer and its polymer Rilsan® PA 11, should come on stream in late 2021. It will enable Arkema to increase by 50% its Rilsan® PA 11 global production capacity. This investment also includes a 50% increase in global production capacities for Pebax®.

The Group also announced, in Advanced Materials, a project to expand by over 30% its production capacity of UV photocure resins at its Nansha site facility in China. This new production line of Sartomer, the world leader in specialty photocure resins, should come on stream early 2019. It will in particular help meet strong customer demand in Asia in the electronics, 3D-printing and inkjet printing cutting-edge markets.

Finally, in Thiochemicals, Arkema announced a project to double its methyl mercaptan production capacity at its Kerteh site in Malaysia to support the strong growth of the animal feed, petrochemical and refining markets in Asia and to strengthen its world leading position in high value added sulfur derivatives. This project should come on stream in 2020.

5. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2016 Reference Document filed with the *Autorité des marchés financiers* ("AMF") on 30 March 2017 under number D.17-0259. 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 the notes to the half-year consolidated financial statements.

6. OUTLOOK

In the second half of 2017, the global macro-economic environment should remain volatile with contrasted dynamics by end-market and by region, higher raw material costs than last year, and the euro strengthening versus the US dollar.

In this context, Arkema will continue to benefit from growth in adhesives and the integration of Den Braven, innovation in Advanced Materials and downstream acrylics, as well as better prices in fluorogases. The Group will continue to ensure that the higher cost of certain raw materials is reflected in its selling prices. Finally, it will continue implementing its operational excellence initiatives to offset part of fixed cost inflation.

The performance of the first half of the year leads the Group to upgrade its initial EBITDA objective for 2017. The Group now anticipates to exceed €1.3 billion EBITDA and achieve between €1,310 million and €1,350 million EBITDA for the full year.

At a Capital Markets Day in July 2017, the Group recalled its 2020 ambition and announced ambitious financial objectives for 2023, with a REBIT margin between 11.5% and 12.5%, significantly up on 2016, and an EBITDA to free cash conversion rate maintained at 35%. These objectives will be achieved over time while keeping a net debt over EBITDA ratio below 2, a return on capital employed of at least 10%, and a solid investment grade rating by financial rating agencies.

This ambition will be driven by accelerating the development of specialty businesses, which should represent more than 80% of the Group's sales by 2023. In this context, Arkema aims to more than double the sales of its Specialty Adhesives in 2023 compared to 2016, which should then represent more than one third of its total sales, while also aiming to achieve a 12.5% to 13% REBIT margin in this activity by then. In Advanced Materials, which should represent more than 25% of its total sales in 2023, the Group aims to achieve a 14% to 15% REBIT margin.

The Group indicates that all its objectives are defined in normalized market conditions and under current IFRS rules, and notes that the achievement of its objectives is based on assumptions deemed reasonable by the Group, as of the date of this document and within this time frame (in particular regarding any future development of global demand, conditions relating to raw material and energy costs, balance between supply and demand for products marketed by the Group and their price levels, and currency exchange rates). However, it takes no account of the occurrence, as the case may be, of certain risks described in greater detail in the 2016 Reference Document, in particular in paragraph 1.7.2, or any unknown factors related to the economic, financial, competitive or regulatory environment in which the Group operates, liable to affect the achievement of its objectives.

7. GLOSSARY

The main performance indicators used by the Group are defined in note B.17 of the notes to the consolidated financial statements at 31 December 2016 in section 4.3.3 of 2016 Reference document.

As part of the analysis of its results or to define its objectives, the Group also uses the following indicators:

- **REBIT margin**: corresponds to the recurring operating income (REBIT) as a percentage of sales;
- **Free cash flow**: corresponds to cash flow from operating activities and investing activities excluding the impact of portfolio management;
- **EBITDA to free cash conversion**: corresponds to the ratio of EBITDA on the free cash flow excluding exceptional capital expenditure. Free cash flow will be restated to offset the impact of the raw material environment on changes in working capital;
- **Return on capital employed**: corresponds to the ratio: (REBIT – current income taxes) / (net debt + shareholders' equity) under current IFRS rules.

In analyzing variations in its results, particularly variations in sales, the Group analyzes the following effects (such analyses are non-audited):

- **effect of changes in scope of business**: effects of changes in scope of business arise on acquisition or disposal of an entire business or first-time consolidation or deconsolidation of an entity. An increase or reduction in capacity is not analyzed as creating a change in the scope of business;
- **effect of foreign currency movements**: the effect of foreign currency movements is the mechanical impact of consolidation of accounts denominated in currencies other than the euro at different exchange rates from one period to another. The effect of foreign currency movements is calculated by applying the foreign exchange rates of the previous period to the figures of the current period;
- **effect of changes in prices**: the impact of changes in average sales prices is estimated by comparing the weighted average net unit sales price of a range of related products in the current period with their weighted average net unit sales price in the prior period, multiplied in both cases by the volumes sold in the current period;
- **effect of changes in volumes**: the impact of changes in volumes is estimated by comparing the quantities delivered in the current period with the quantities delivered in the prior period, multiplied in both cases by the weighted average net unit sales price in the prior period.

II - CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2017

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	1st half 2017	1st half 2016
Sales	(C1&C2)	**4,350**	**3,845**
Operating expenses		(3,328)	(2,965)
Research and development expenses		(121)	(112)
Selling and administrative expenses		(371)	(348)
Recurring operating income *	(C1)	**530**	**420**
Other income and expenses *	(C3)	(30)	(1)
Operating income *	(C1)	**500**	**419**
Equity in income of affiliates		0	6
Financial result		(51)	(50)
Income taxes	(C5)	(148)	(126)
Net income		**301**	**249**
Of which: non-controlling interests		4	4
Net income - Group share	(C4)	**297**	**245**
Earnings per share (amount in euros)	(C7)	*3.92*	*3.28*
Diluted earnings per share (amount in euros)	(C7)	*3.91*	*3.27*
Depreciation and amortization	(C1)	(223)	(223)
EBITDA *	(C1)	753	643
Adjusted net income *	(C4)	319	240

* See note B17 to the consolidated financial statements at 31 December 2016 – Accounting policies / Main accounting and financial indicators.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	1st half 2017	1st half 2016
Net income	**301**	**249**
Hedging adjustments	24	11
Other items	-	(6)
Deferred taxes on hedging adjustments and other items	-	(1)
Change in translation adjustments	(135)	(42)
Other recyclable comprehensive income	**(111)**	**(38)**
Actuarial gains and losses	5	(16)
Deferred taxes on actuarial gains and losses	-	2
Other non-recyclable comprehensive income	**5**	**(14)**
Total income and expenses recognized directly through equity	**(106)**	**(52)**
Comprehensive income	**195**	**197**
Of which: non-controlling interests	1	-
Comprehensive income – Group share	**194**	**197**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	30 June 2017	31 December 2016
ASSETS			
Intangible assets, net	(C8)	2,742	2,777
Property, plant and equipment, net	(C9)	2,461	2,652
Equity affiliates: investments and loans		33	35
Other investments		33	33
Deferred tax assets		163	171
Other non-current assets		233	227
TOTAL NON-CURRENT ASSETS		***5,665***	***5,895***
Inventories		1,144	1,111
Accounts receivable		1,319	1,150
Other receivables and prepaid expenses		178	197
Income taxes recoverable		50	64
Other current financial assets		12	10
Cash and cash equivalents		1,499	623
TOTAL CURRENT ASSETS		***4,202***	***3,155***
TOTAL ASSETS		**9,867**	**9,050**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		758	757
Paid-in surplus and retained earnings		3,328	3,150
Treasury shares		(7)	(4)
Translation adjustments		169	301
SHAREHOLDERS' EQUITY - GROUP SHARE	(C10)	***4,248***	***4,204***
Non-controlling interests		45	45
TOTAL SHAREHOLDERS' EQUITY		***4,293***	***4,249***
Deferred tax liabilities		321	285
Provisions for pensions and other employee benefits	(C11)	506	520
Other provisions and non-current liabilities	(C12)	440	464
Non-current debt	(C14)	2,268	1,377
TOTAL NON-CURRENT LIABILITIES		***3,535***	***2,646***
Accounts payable		898	932
Other creditors and accrued liabilities		359	402
Income taxes payable		74	62
Other current financial liabilities		6	31
Current debt	(C14)	702	728
TOTAL CURRENT LIABILITIES		***2,039***	***2,155***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**9,867**	**9,050**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)		1st half 2017	1st half 2016
Net income		301	249
Depreciation, amortization and impairment of assets		246	243
Provisions, valuation allowances and deferred taxes		(1)	(51)
(Gains)/losses on sales of assets		(2)	(2)
Undistributed affiliate equity earnings		0	(4)
Change in working capital		(229)	(186)
Other changes		0	10
CASH FLOW FROM OPERATING ACTIVITIES		**315**	**259**
Intangible assets and property, plant, and equipment additions		(152)	(168)
Change in fixed asset payables		(56)	(50)
Acquisitions of operations, net of cash acquired		1	-
Increase in long-term loans		(23)	(39)
Total expenditures		**(230)**	**(257)**
Proceeds from sale of intangible assets and property, plant, and equipment		5	7
Change in fixed asset receivables		0	-
Proceeds from sale of operations, net of cash sold		11	20
Proceeds from sale of unconsolidated investments		0	-
Repayment of long-term loans		11	8
Total divestitures		**27**	**35**
CASH FLOW FROM INVESTING ACTIVITIES		**(203)**	**(222)**
Issuance (repayment) of shares and paid-in surplus	(C10)	2	46
Purchase of treasury shares	(C10)	(4)	(6)
Dividends paid to parent company shareholders	(C10)	(155)	(143)
Dividends paid to non-controlling interests		(1)	(1)
Increase / decrease in debt	(C14)	878	0
CASH FLOW FROM FINANCING ACTIVITIES		**720**	**(104)**
Net increase/(decrease) in cash and cash equivalents		832	(67)
Effect of exchange rates and changes in scope		44	33
Cash and cash equivalents at beginning of period		623	711
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,499**	**677**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(In millions of euros)	Share capital	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2017	**757**	**1,211**	**689**	**1,250**	**301**	**(4)**	**4,204**	**45**	**4,249**
Cash dividend	-	-	-	(155)	-	-	(155)	(1)	(156)
Issuance of share capital	1	1	-	-	-	-	2	-	2
Purchase of treasury shares	-	-	-	-	-	(4)	(4)	-	(4)
Grants of treasury shares to employees	-	-	-	(1)	-	1	-	-	-
Share-based payments	-	-	-	7	-	-	7	-	7
Other	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**1**	**1**	**-**	**(149)**	**-**	**(3)**	**(150)**	**(1)**	**(151)**
Net income	-	-	-	297	-	-	297	4	301
Total income and expenses recognized directly through equity	-	-	-	29	(132)	-	(103)	(3)	(106)
Comprehensive income	**-**	**-**	**-**	**326**	**(132)**	**-**	**194**	**1**	**195**
At 30 June 2017	**758**	**1 212**	**689**	**1,427**	**169**	**(7)**	**4,248**	**45**	**4,293**

(In millions of euros)	Share capital	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2016	**745**	**1,172**	**689**	**1,003**	**294**	**(3)**	**3,900**	**49**	**3,949**
Cash dividend	-		-	(143)	-	-	(143)	(1)	(144)
Issuance of share capital	11	35	-	-	-	-	46	-	46
Purchase of treasury shares	-	-	-	-	-	(6)	(6)	-	(6)
Grants of treasury shares to employees	-	-	-	(4)	-	4	-	-	-
Share-based payments	-	-	-	7	-	-	7	-	7
Other	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**11**	**35**	**-**	**(140)**	**-**	**(2)**	**(96)**	**(1)**	**(97)**
Net income	-	-	-	245	-	-	245	4	249
Total income and expenses recognized directly through equity	-	-	-	(8)	(40)	-	(48)	(4)	(52)
Comprehensive income	**-**	**-**	**-**	**237**	**(40)**	**-**	**197**	**-**	**197**
At 30 June 2016	**756**	**1,207**	**689**	**1,100**	**254**	**(5)**	**4,001**	**48**	**4,049**

A. HIGHLIGHTS

A.1 Portfolio management

In March 2017 the Group announced that it had completed the sale to INEOS of its 50% stake in Oxochimie, their oxo alcohols manufacturing joint venture, and the associated business assets.

A.2 Other highlights

On 11 April 2017 Arkema completed a €700 million bond issue with a ten-year maturity at a coupon of 1.50%. This operation enabled the Group to refinance and extend the average maturity of its financial resources, taking advantage of favourable market conditions.
A €200 million tap issue was carried out on 23 June 2017.

B. ACCOUNTING POLICIES

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

Basis for preparation

The Group's condensed consolidated interim financial statements at 30 June 2017 were prepared under the responsibility of the Chairman and CEO of Arkema and were approved by the Board of Directors of Arkema on 1 August 2017.

The condensed consolidated interim financial statements at 30 June 2017 were prepared in compliance with IAS 34 "Interim financial reporting" and established in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and IFRSs newly adopted by the European Union at 30 June 2017. As condensed interim financial statements, they do not incorporate all of the disclosures required in full financial statements and must thus be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

The accounting framework and standards adopted by the European Union can be consulted on the following website:
https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002.

Changes in IFRSs and interpretations

The accounting policies applied in preparing the condensed consolidated interim financial statements at 30 June 2017 are identical to those used in the consolidated financial statements at 31 December 2016, except for IFRS standards, amendments and interpretations that are obligatorily applicable for accounting periods commencing on or after 1 January 2017 (and which had not been applied early by the Group), namely:

Amendments to IAS 12	Recognition of deferred tax assets for unrealised losses	Not adopted by the European Union at 30 June 2017
Amendments to IAS 7	Disclosure initiative	Not adopted by the European Union at 30 June 2017
	Annual improvements to IFRS standards 2014–2016 cycle	Not adopted by the European Union at 30 June 2017

Application of these amendments has no impact on the financial statements at 30 June 2017.

The standards, amendments and interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force for years beginning on or after 1 January 2017 and have not been applied early by the Group, are:

Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 30 June 2017
Amendments to IFRS 9	Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39	Not adopted by the European Union at 30 June 2017
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate/joint venture	Not adopted by the European Union at 30 June 2017
Amendments to IFRS 2	Classification and measurement of share-based payment transactions	Not adopted by the European Union at 30 June 2017
IFRS 9	Financial instruments	Adopted by the European Union on 29 November 2016
IFRS 15	Revenue from contracts with customers	Adopted by the European Union on 29 October 2016
Clarifications to IFRS 15	Revenue from contracts with customers	Not adopted by the European Union at 30 June 2017
IFRS 16	Leases	Not adopted by the European Union at 30 June 2017
IFRIC 22	Foreign currency transactions and advance consideration	Not adopted by the European Union at 30 June 2017
IFRIC 23	Uncertainty over Income tax treatments (IAS12)	Not adopted by the European Union at 30 June 2017

Use of assumptions

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

Impact of seasonality

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

• demand for products manufactured by the Group is generally lower 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 the rest of Europe;

• in some of the Group’s businesses, particularly those serving the paints and coatings as well as the refrigeration and air-conditioning markets, sales are generally higher in the first half of the year than in the second half. By contrast, in Specialty Adhesives (Bostik), both halves of the year are more balanced;

• the major multi-annual maintenance turnarounds at the Group’s production plants also have an impact on seasonality, and tend in general to be carried out in the second half of the year.

These seasonal effects in the past are not necessarily representative of future trends, but can have a material effect on the variations in results and working capital from one quarter of the year to another.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information by business segment

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

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

The content of the business segments is as follows:

• High Performance Materials includes the following Business Lines:

- Specialty Adhesives (Bostik),
- Technical Polymers, comprising specialty polyamides and PVDF,
- Performance Additives, comprising the filtration and adsorption (CECA) activities, organic peroxides and photocure resins (Sartomer).

High Performance Materials provide innovative solutions with high value added, used in varied sectors such as transport, oil extraction, renewable energies (photovoltaics, lithium-ion batteries), consumer goods (beauty products, sports equipment, packaging, etc), electronics, construction, coatings and water treatment.

• Industrial Specialties groups the following Business Lines:

- Thiochemicals,
- Fluorochemicals,
- PMMA,
- Hydrogen Peroxides.

These integrated industrial niche markets on which the Arkema Group is among the world leaders concern products used in several industrial sectors such as production of cold (refrigeration and air conditioning), petrochemicals, refining, paper pulp, animal nutrition, electronics and the automotive industry.

• Coating Solutions comprises the following Business Lines:

- Acrylics,
- Coatings Resins and Additives, comprising the coatings resins and Coatex rheological additives activities.

This segment proposes solutions for decorative paints, industrial coatings, adhesives and high-growth acrylic applications (superabsorbers for disposable nappies, water treatment, oil and gas extraction).

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

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

1st half 2017

(In millions of euros)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	**1,966**	**1,345**	**1,024**	**15**	**4,350**
Inter-segment sales	3	74	37	-	
Total sales	**1,969**	**1,419**	**1,061**	**15**	
EBITDA	**340**	**316**	**138**	**(41)**	**753**
Depreciation and amortization	(78)	(89)	(55)	(1)	(223)
Recurring operating income	**262**	**227**	**83**	**(42)**	**530**
Other income and expenses	(31)	2	0	(1)	(30)
Operating income	**231**	**229**	**83**	**(43)**	**500**
Equity in income of affiliates	1	(1)	-	-	0
Intangible assets and property, plant, and equipment additions	72	48	27	5	152
Of which: Recurring capital expenditure	*57*	*48*	*27*	*5*	*137*

1st half 2016

(In millions of euros)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	**1,747**	**1,195**	**889**	**14**	**3,845**
Inter-segment sales	9	60	29	-	
Total sales	**1,756**	**1,255**	**918**	**14**	
EBITDA	**314**	**263**	**113**	**(47)**	**643**
Depreciation and amortization	(77)	(86)	(59)	(1)	(223)
Recurring operating income	**237**	**177**	**54**	**(48)**	**420**
Other income and expenses	(21)	(2)	1	21	(1)
Operating income	**216**	**175**	**55**	**(27)**	**419**
Equity in income of affiliates	1	5	-	-	6
Intangible assets and property, plant, and equipment additions	66	72	25	5	168
Of which: Recurring capital expenditure	*66*	*52*	*25*	*5*	*148*

2. Information by geographical area

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

1st half 2017 *(In millions of euros)*	France	Rest of Europe	NAFTA(1)	Asia	Rest of the world	**Total**
Non-Group sales	352	1,289	1,437	1,089	183	**4,350**

1st half 2016 *(In millions of euros)*	France	Rest of Europe	NAFTA(1)	Asia	Rest of the world	**Total**
Non-Group sales	335	1,101	1,304	918	187	**3,845**

(1) NAFTA: USA, Canada, Mexico

3. Other income and expenses

(In millions of euros)	1st half 2017 Expenses	1st half 2017 Income	1st half 2017 Net	1st half 2016 Expenses	1st half 2016 Income	1st half 2016 Net
Restructuring and environment	(4)	1	(3)	(3)	-	(3)
Goodwill impairment	-	-	-	-	-	-
Asset impairment (other than goodwill)	0	1	1	-	-	-
Litigation and claims	0	-	0	-	-	-
Gains (losses) on sales and purchases of assets	(7)	2	(5)	(5)	-	(5)
Depreciation and amortization related to purchase price allocations following acquisition of businesses	(23)	-	(23)	(19)		(19)
Other	0	-	0	-	26	26
Total other income and expenses	**(34)**	**4**	**(30)**	**(27)**	**26**	**(1)**

In the first half of 2017, gains and losses on sales and purchases of assets principally comprise €(7) million related to the acquisition of Den Braven, including €(5) million resulting from revaluation of inventories (see Note 6, Business combination). Depreciation and amortization related to revaluation of tangible and intangible assets amount to €19 million for the acquisition of Bostik and €4 million for the acquisition of Den Braven.

In the first half of 2016, depreciation and amortization related to revaluation of tangible and intangible assets for the purpose of allocation of the acquisition price of Bostik amounted to €19 million. Other income mainly included the financial consequences of the discontinuation of the Chairman and CEO's complementary defined-benefit pension plan from 7 June 2016, and the final phase of pension plan outsourcing in the Netherlands.

4. Adjusted net income

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

(In millions of euros)	Notes	1st half 2017	1st half 2016
Adjusted net income		**319**	**240**
Other income and expenses	(C3)	(30)	(1)
Taxes on other income and expenses		8	6
Non-current taxation		-	-
Net income - Group share		**297**	**245**

5. Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	**1st half 2017**	**1st half 2016**
Current income taxes	(145)	(127)
Deferred income taxes	(3)	1
Total income taxes	**(148)**	**(126)**

The income tax expense amounts to €148 million at 30 June 2017, including €7 million for the CVAE and €5 million relating to the additional income tax contribution due on distributed income (compared with €126 million at 30 June 2016, including €7 million for the CVAE and €4 million relating to the additional income tax contribution due on distributed income).

6. Business combination

On 1 December 2016 the Arkema Group finalized the acquisition of Den Braven for an enterprise value of €485 million and a final purchase price of €427 million.
In compliance with IFRS 3 (revised), the Group used the acquisition method for the accounting treatment of this operation.

The amount recorded in the financial statements at 30 June 2017 for the identifiable assets acquired and liabilities assumed at the acquisition date breaks down as follows:

(In millions of euros)	**Fair value acquired from Den Braven**
Intangible assets	167
Property, plant and equipment	63
Deferred tax assets	2
Other non-current assets	5
TOTAL NON-CURRENT ASSETS	**237**
Inventories	33
Accounts receivable	52
Cash and cash equivalents	90
Other current assets	4
TOTAL CURRENT ASSETS	**179**
TOTAL ASSETS	**416**
Deferred tax liabilities	47
Provisions and other non-current liabilities	1
Non-current debt	58
TOTAL NON-CURRENT LIABILITIES	**106**
Accounts payable	40
Other current liabilities	101
TOTAL CURRENT LIABILITIES	**141**
FAIR VALUE OF NET ASSETS	**169**
GOODWILL	**258**

Intangible assets stated at fair value mainly consist of the Den Braven® brand, technologies and customer relations, the two latter assets being amortized over 15 years. The revalued inventories were consumed during the first half of 2017.

The expenses incurred for the entire operation have been recorded in Other income and expenses at the amount of €5 million of which €3 million were booked in 2016.

The resulting goodwill of €258 million is final. It principally comprises the expected synergies and the step-up in business activity thanks to geographical, technological and commercial complementarities between Bostik and Den Braven.

7. Earnings per share

	1st half 2017	1st half 2016
Weighted average number of ordinary shares	75,671,629	74,799,919
Dilutive effect of stock options	133,732	160,387
Dilutive effect of free share grants	67,418	59,553
Weighted average number of potential ordinary shares	75,872,779	75,019,859

Earnings per share is determined below:

	1st half 2017	1st half 2016
Earnings per share (€)	3.92	3.28
Diluted earnings per share (€)	3.91	3.27

Adjusted earnings per share is determined below:

	1st half 2017	1st half 2016
Adjusted earnings per share (€)	4.22	3.21
Diluted adjusted earnings per share (€)	4.20	3.20

8. Intangible assets

8.1 Goodwill

(In millions of euros)	30 June 2017 Gross book value	 Accumulated amortization and impairment	 Net book value	31 December 2016 Net book value
Goodwill	2,083	(537)	1,546	1,703

Changes in the net book value of goodwill are as follows:

Net book value (In millions of euros)	30 June 2017
At 1 January	**1,703**
Changes in scope	(118)
Translation adjustments	(39)
At 30 June	**1,546**

The decrease in goodwill in the first half of 2017 essentially results from allocation of the goodwill on acquisition of Den Braven to tangible and intangible assets (see note 6. Business combination).

8.2 Other intangible assets

(In millions of euros)	30 June 2017 Gross book value	30 June 2017 Accumulated amortization and impairment	30 June 2017 Net book value	31 December 2016 Net book value
Patents and technologies	396	(149)	247	233
Trademarks	534	(4)	530	440
Software and IT licences	283	(174)	109	111
Capitalized REACH costs	47	(18)	29	29
Other capitalized research expenses	12	(3)	9	3
Capitalized contracts	297	(239)	58	63
Asset rights	69	(28)	41	43
Customer relations	95	(10)	85	52
Other intangible assets	31	(16)	15	12
Intangible assets in progress	91	(18)	73	88
Total	**1,855**	**(659)**	**1,196**	**1,074**

Changes in the net book value of intangible assets are as follows:

Net book value (In millions of euros)	**30 June 2017**
At 1 January	**1,074**
Acquisitions	16
Amortization and impairment	(40)
Changes in scope	165
Translation adjustments	(20)
Reclassifications	1
At 30 June	**1,196**

9. Property, plant and equipment

(In millions of euros)	30 June 2017 Gross book value	30 June 2017 Accumulated amortization and impairment	30 June 2017 Net book value	31 December 2016 Net book value
Land and buildings	1,851	(1,166)	685	729
Complex industrial facilities	3,502	(2,779)	723	774
Other property, plant and equipment	2,909	(2,122)	787	844
Construction in progress	276	(10)	266	305
Total	**8,538**	**(6,077)**	**2,461**	**2,652**

Changes in the net book value of property, plant and equipment are as follows:

Net book value (In millions of euros)	**30 June 2017**
At 1 January	**2,652**
Acquisitions	121
Amortization and impairment	(206)
Disposals	(2)
Changes in scope	(1)
Translation adjustments	(101)
Reclassifications	(2)
At 30 June	**2,461**

10. Shareholders' equity

At 30 June 2017, Arkema's share capital amounts to €758 million, divided into 75,773,865 shares with a nominal value of 10 euros.

Number of shares at 1 January 2016	**74,472,101**
Issuance of shares following the capital increase reserved for employees	998,072
Issuance of shares following the exercise of subscription options	110,952
Number of shares at 30 June 2016	**75,581,125**
Issuance of shares following the exercise of subscription options	136,822
Number of shares at 31 December 2016	**75,717,947**
Number of shares at 1 January 2017	**75,717,947**
Issuance of shares following the exercise of subscription options	55,918
Number of shares at 30 June 2017	**75,773,865**

- Changes in share capital

Following the exercise of 55,918 share subscription options, the Company carried out a capital increase in the total nominal amount of €1 million.

- Treasury shares

The Company bought back 45,865 treasury shares during the first half of 2017.
In May 2017, the Arkema Group definitively granted 20,246 free shares to its employee in application of plans 2014-1, 3 and 2016-3.

Number of treasury shares at 1 January 2016	**36,925**
Repurchases of treasury shares	100,617
Grants of treasury shares	(71,719)
Number of treasury shares at 31 December 2016	**65,823**
Number of treasury shares at 1 January 2017	**65,823**
Repurchases of treasury shares	45,865
Grants of treasury shares	(20,246)
Number of treasury shares at 30 June 2017	**91,442**

- Dividends

The combined shareholders' general meeting of 23 May 2017 approved the distribution of a €2.05 dividend per share in respect of the 2016 financial year, or a total amount of €155 million. The dividend was paid out on 29 May 2017.

11. Provisions for pensions and other employee benefits

(In millions of euros)	**30 June 2017**	**31 December 2016**
Pension obligations	352	366
Healthcare and similar coverage	90	93
Post-employment benefits	**442**	**459**
Long service awards	55	56
Other long-term benefits	9	5
Other long-term benefits	**64**	**61**
Provisions for pensions and other employee benefits	**506**	**520**

The discount rates used by the Arkema Group are as follows:

Pension obligations, healthcare and similar coverage	**Europe (excl. UK)**	**UK**	**USA**
At 30 June 2017	2.05%	2.60%	3.90%
At 31 December 2016	1.70%	2.60%	4.25%

The present value of benefit obligations at the end of 2016 has been adjusted at 30 June 2017 on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2016 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets has also been reassessed on the basis of new valuations at 30 June 2017. The effects of the change in discount rates and the revaluation of assets are included in actuarial gains and losses for the period.

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

(In millions of euros)	Pension obligations	Healthcare and similar coverage	**Total post-employment benefits**
Net liability (asset) at 1 January	**366**	**93**	**459**
Provision recognized in liabilities	366	93	459
Amount recognized in assets	-	-	-
Operating expense for the period	8	0	8
Net interest expense	5	1	6
Net contributions and benefits paid by the employer	(10)	(1)	(11)
Liquidations	0	-	0
Other *	(11)	(4)	(15)
Actuarial gains and losses recognized in shareholders' equity	(6)	1	(5)
Net liability (asset) at 30 June	**352**	**90**	**442**
Provision recognized in liabilities	352	90	442
Amount recognized in assets	0	-	0

* Other items essentially consist of translation adjustments.

12. Other provisions and other non-current liabilities

12.1. Other non-current liabilities

Other non-current liabilities amount to €43 million at 30 June 2017 as against €45 million at 31 December 2016.

12.2. Other provisions

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2017	**194**	**47**	**178**	**419**
Increases in provisions	4	0	20	24
Reversals from provisions on use	(5)	(6)	(20)	(31)
Reversals of unused provisions	-	-	(3)	(3)
Changes in scope	-	-	0	0
Translation adjustments	(6)	(0)	(6)	(12)
Other	-	-	(0)	(0)
At 30 June 2017	**187**	**41**	**169**	**397**

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

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 30 June 2017	**187**	**41**	**169**	**397**
Portion of provisions covered by receivables or deposits	**36**	**-**	**12**	**48**
Deferred tax asset related to amounts covered by the Total indemnity	21	-	0	21
Provisions at 30 June 2017 net of non-current assets	**130**	**41**	**157**	**328**
For information: Provisions at 1 January 2017 net of non-current assets	**131**	**47**	**165**	**343**

12.2.1 Provisions for environmental contingencies

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

- in France for €83 million (€81 million at 31 December 2016),
- in the United States for €78 million (€88 million at 31 December 2016), of which €56 million in respect of former industrial sites covered 100% by the Total group indemnity (receivable recognized in "Other non-current assets" for an amount of €36 million and €21 million recognized in deferred tax assets) (see note C16.2 "Off-balance sheet commitments / Commitments received").

12.2.2 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €28 million (€33 million at 31 December 2016), in Europe outside France for €7 million (€8 million at 31 December 2016) and in the United States for €5 million (€6 million at 31 December 2016).

12.2.3 Other provisions

Other provisions amount to €169 million and mainly comprise:

- provisions for labour litigation for €52 million (€53 million at 31 December 2016),
- provisions for commercial litigation and warranties for €53 million (€50 million at 31 December 2016),
- provisions for tax litigation for €36 million (€36 million at 31 December 2016),
- provisions for other risks for €28 million (€39 million at 31 December 2016).

13. Liabilities and contingent liabilities

Liabilities and contingent liabilities are described in note C21 to the consolidated financial statements at 31 December 2016. There was no development in liabilities and contingent liabilities during the first half of 2017 with an actual or potential significant effect on the Group's consolidated financial statements.

14. Debt

14.1 Analysis of net debt by category

Group net debt amounts to €1,471 million at 30 June 2017, taking account of cash and cash equivalents of €1,499 million.

(In millions of euros)	**30 June 2017**	**31 December 2016**
Bonds	2,219	1,328
Finance lease obligations	1	1
Bank loans	22	27
Other non-current debt	26	21
Non-current debt	**2,268**	**1,377**
Bonds	500	500
Finance lease obligations	-	0
Syndicated credit facility	-	-
Negotiable European Commercial Paper	-	-
Other bank loans	175	194
Other current debt	27	34
Current debt	**702**	**728**
Debt	**2,970**	**2,105**
Cash and cash equivalents	1,499	623
Net debt	**1,471**	**1,482**

Bonds

At 30 June 2017, the fair values of the bonds issued by the Group are as follows:

- €500 million bond maturing in October 2017: €506 million,
- €480 million bond maturing in April 2020: €530 million,
- €150 million bond (issued as Euro Medium Term Notes (EMTN)) maturing in December 2023: €169 million,
- €700 million bond (issued as Euro Medium Term Notes (EMTN)) maturing in January 2025: €720 million,
- €900 million bond (issued as Euro Medium Term Notes (EMTN)) maturing in April 2027: €899 million.

14.2 Analysis of debt by currency

The Arkema Group's debt is mainly denominated in euros.

(In millions of euros)	**30 June 2017**	**31 December 2016**
Euros	2,768	1,871
US Dollars	8	12
Chinese Yuan	168	188
Other	26	34
Total	**2,970**	**2,105**

Part of the debt in euros is converted through swaps to the accounting currency of internally-financed subsidiaries, in line with the Group's policy; one third of the Group's Net debt is therefore in US dollars.

14.3 Analysis of debt by maturity

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

(In millions of euros)	30 June 2017	31 December 2016
Less than 1 year	750	765
Between 1 and 2 years	56	42
Between 2 and 3 years	535	43
Between 3 and 4 years	36	522
Between 4 and 5 years	36	23
More than 5 years	1,870	922
Total	**3,283**	**2,317**

15. Share-based payments

15.1 Stock options

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

Movements in the stock option plans granted in previous years and still outstanding at 30 June 2017 are as follows:

Plan	Total number of options granted *	Exercise price*	Number of options exercised in 1st half 2017	Number of options cancelled in 1st half 2017	Total number of options exercised	Total number of options outstanding	Final year for exercising options
2010-1	230,044	29.33	25,085	-	183,859	39,185	2018
2010-2	233,513	29.33	24,033	-	151,626	59,713	2018
2011-1	109,082	65.92	5,195	-	54,614	54,468	2019
2011-2	109,082	65.92	1,605	-	19,474	89,608	2019

* *after adjustment following the capital increase with preferential subscription rights of November 2014*

The amount of the IFRS 2 expense recognized in respect of stock options at 30 June 2017 was nil (also nil at 30 June 2016).

15.2 Free share grants

Movements in the free share grant plans awarded up until 30 June 2017 are as follows:

Plan	Grant date	Vesting period	Conservation period	Total number of free shares granted	Number of shares subject to performance conditions	Fair value (euros per share)	Number of shares definitively granted in 1st half 2017	Number of shares cancelled in 1st half 2017	Total number of shares still to be granted at 30 June 2017
2013	**6 Nov 2013**	4 years	-	250,000	182,810	51.60	-	150	243,590
2014-1, 3	**6 May 2014**	3-4 years	0-3 years	17,118	-	53.63	3,579	40	13,144
2014-2	**13 Nov 2014**	4 years	-	275,000	203,535	33.41	-	250	271,875
2015-1	**9 Nov 2015**	4 years	-	285,525	285,525	42.31	-	650	282,835
2015-2	**9 Nov 2015**	4 years	-	59,595	-	42.31	-	80	58,575
2016-1, 2	**10 May 2016**	3-4 years	0-3 years	43,278	-	22.91-39.70	-	-	43,278
2016-3	**7 Jun 2016**	1-3 years	2 years	50,000	-	41.04-53.53	16,667	-	33,333
2016-4	**9 Nov 2016**	3 years	2 years	235,835(1)	226,040	47.31	-	600	235,235
2016-5	**9 Nov 2016**	4 years	-	122,080(2)	112,860	50.01	-	260	121,820

(1) May be raised to 258,439 in the event of outperformance
(2) May be raised to 133,366 in the event of outperformance

The amount of the IFRS 2 expense recognized in respect of free shares at 30 June 2017 is €7 million (€7 million at 30 June 2016).

16. Off-balance sheet commitments

16.1 Commitments given

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

The main commitments given are summarized in the table below:

(In millions of euros)	**30 June 2017**	**31 December 2016**
Guarantees granted	76	73
Comfort letters	-	-
Contractual guarantees	10	3
Customs and excise guarantees	14	14
Total	**100**	**90**

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

16.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, the Arkema Group has 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 initial periods generally comprised between 1 and 10 years is a normal practice for companies in the Group's business sector in order to cover their needs.
These purchase commitments were valued taking into account, on a case-by-case basis, the Arkema Group's financial commitment to its suppliers, as certain of these contracts include clauses which oblige the Group to take delivery of the minimum volumes as set out in the contract or, otherwise, to pay financial compensation to the supplier. Depending on the case, these commitments are reflected in the purchase agreements in the form of notice periods, indemnification to be paid to the supplier in case of early termination of the contract or "take or pay" clauses.

The total amount of the Group's financial commitments is €513 million at 30 June 2017, maturing as follows:

(In millions of euros)	**30 June 2017**	**31 December 2016**
2017	173	190
2018	80	63
2019	72	54
2020	53	34
2021 until expiry of the contracts	135	68
Total	**513**	**409**

- Lease commitments

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

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

Non-capitalized leases *(In millions of euros)*	**30 June 2017**	**31 December 2016**
2017	14	26
2018	22	23
2019	19	19
2020	16	16
2021 and beyond	43	45
Non-discounted value of future lease payments	**114**	**129**

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

Warranties related to sales of businesses

When selling businesses, the Arkema Group has sometimes granted the purchaser warranties in respect of unrecorded liabilities. In most cases these warranties are capped and granted for a limited period of time. They are also limited in terms of their coverage to certain types of expenses or litigation. In the majority of cases, they cover risks of occurrence of environmentally related expenses or litigation.

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by the Group amounts to €102 million at 30 June 2017 (€132 million at 31 December 2016). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

16.1.4 Off-balance sheet commitments related to Group financing

These commitments are described in note C22 to the consolidated financial statements at 31 December 2016 “Debt”.

16.2 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 extended certain indemnities, or assumed certain obligations, for the benefit of the Arkema Group. Some are still in application while others terminated during 2017. The warranties and commitments concerned are described below, and relate to (i) 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, (ii) tax matters.

16.2.1 Obligations and indemnities given in respect of Former Industrial Sites

In order to cover certain risks relating to certain industrial sites situated in France, Belgium and the United States in respect of which the Group is or could be held liable, and where, for the most part, operations have ceased (the Former Industrial Sites), Total S.A. companies have entered into indemnity and service agreements with Arkema or its subsidiaries.

Pursuant to these agreements, the obligations and environmental responsibilities associated with these former industrial sites in France and at Rieme in Belgium were transferred to Total S.A. group companies.

Agreement relating to certain Former Industrial Sites located in the United States

In March 2006, Arkema Amériques SAS completed the acquisition from Elf Aquitaine Inc. and Arkema France of Arkema Delaware Inc., a holding company for most of the Group’s operations in the United States. The negotiated terms of the stock purchase agreement among Elf Aquitaine Inc., Legacy Site Services and Arkema Amériques SAS, dated 7 March 2006 (the Arkema Delaware Main SPA) required Elf Aquitaine Inc. to use $270 million to capitalize a new subsidiary, Legacy Site Services LLC, that performs remediation services, and indemnify the Group against the cost of environmental contamination liabilities incurred by the Group entities covered by this indemnity, and related personal injury and property damage claims associated with contamination at 35 of the Group’s closed and formerly operated facilities and 24 third party sites where the Group’s liability arises solely out of waste shipments from the sites other than currently operated sites. In exchange for this indemnification, Arkema Amériques SAS agreed to grant to Legacy Site Services LLC control over remediation activities and the defence of claims relating to contamination liabilities at these facilities and sites.

The sites currently operated by the Group are excluded from this indemnity, as are sites that received waste associated with current operations of the Group, certain sites where no significant restoration work is currently underway or anticipated, and other sites where the Group could be held liable for environmental pollution. These other sites include, for example, sites where remediation has been conducted in the past or where future remediation costs or liability are believed to be insignificant or non-existent based upon information available at the time when the indemnity was entered into. Arkema Amériques SAS has waived any claims against Legacy Site Services LLC, Total S.A. or their respective subsidiaries in respect of the sites not covered by the indemnity.

The Legacy Site Services LLC indemnity covers the costs of restoration and clean-up of the soil and groundwater, the costs of related defence and settlement costs and personal injury, property and natural resource damages. The indemnity does not cover liabilities unrelated to site remediation, in particular liabilities in respect of products manufactured on the said sites, liability arising from certain dangerous and potentially dangerous substances, particularly asbestos exposure and criminal liability.

The indemnity described above is capped at $270 million. The amount received by Arkema under this indemnity amounts to $96 million. At the same time as the stock purchase agreement and the indemnity described above, Legacy Site Services LLC and Arkema Inc. entered into a supplemental contamination indemnity agreement pursuant to which Legacy Site Services LLC will indemnify the liabilities of the Group in excess of $270 million, on the same terms, for the same sites and subject to the same exceptions as the indemnity described in the preceding paragraph.

16.2.2 Tax indemnity granted by Total S.A.

The final litigation fully covered by the Total tax indemnity was settled during the first half of 2017, and this Total tax indemnity is now terminated.

17. Subsequent events

D. SCOPE OF CONSOLIDATION AT 30 JUNE 2017

(a) Companies sold in 2017
(b) Companies merged in 2017
(c) Companies liquidated in 2017

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

Altuglas International Denmark A/S	Denmark	100.00	FC
Altuglas International Mexico Inc.	United States	100.00	FC
Altuglas International SAS	France	100.00	FC
American Acryl LP	United States	50.00	JO
American Acryl NA LLC	United States	50.00	JO
Arkema	South Korea	100.00	FC
Arkema	France	100.00	FC
Arkema Afrique SAS	France	100.00	FC
Arkema Amériques SAS	France	100.00	FC
Arkema Asie SAS	France	100.00	FC
Arkema BV	Netherlands	100.00	FC
Arkema Canada Inc.	Canada	100.00	FC
Arkema Changshu Chemicals Co. Ltd	China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd	China	100.00	FC
Arkema Chemicals India Private Ltd.	India	100.00	FC
Arkema Changshu Polyamides Co. Ltd	China	100.00	FC
Arkema China Investment Co. Ltd.	China	100.00	FC
Arkema Coating Resins Malaysia Sdn. Bhd.	Malaysia	100.00	FC
Arkema Coatings Resins UK	United Kingdom	100.00	FC
Arkema Co. Ltd	Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd	China	60.00	JO
Arkema Delaware Inc.	United States	100.00	FC
Arkema Europe	France	100.00	FC
Arkema France	France	100.00	FC
Arkema GmbH	Germany	100.00	FC
Arkema Hydrogen Peroxide Co. Ltd. Shanghai	China	66.67	FC
Arkema Inc.	United States	100.00	FC
Arkema Insurance Ltd	Ireland	100.00	FC
Arkema KK	Japan	100.00	FC
Arkema Kimya Sanayi ve Ticaret AS	Turkey	100.00	FC
Arkema Ltd.	United Kingdom	100.00	FC
Arkema Mexico SA de CV	Mexico	100.00	FC
Arkema Mexico Servicios SA de CV	Mexico	100.00	FC
Arkema PEKK Inc.	United States	100.00	FC
Arkema Peroxides India Private Limited	India	100.00	FC
Arkema Pte Ltd.	Singapore	100.00	FC
Arkema Pty Ltd.	Australia	100.00	FC
Arkema Quimica Ltda	Brazil	100.00	FC
Arkema Quimica SA	Spain	100.00	FC

Arkema Shanghai Distribution Co. Ltd		China	100.00	FC
Arkema Spar NL Limited Partnership	(c)	Canada	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Taixing Chemicals		China	100.00	FC
Arkema Thiochemicals Sdn Bhd		Malaysia	86.00	FC
Arkema Yoshitomi Ltd.		Japan	49.00	SI
Ato Findley Deutschland Gmbh		Germany	100.00	FC
Bostik AB (Sweden)		Sweden	100.00	FC
Bostik AS		Estonia	100.00	FC
Bostik Argentina		Argentina	100.00	FC
Bostik AS (Denmark)		Denmark	100.00	FC
Bostik AS (Norway)		Norway	100.00	FC
Bostik Australia		Australia	100.00	FC
Bostik Belux NV SA		Belgium	100.00	FC
Bostik BV		Netherlands	100.00	FC
Bostik Canada		Canada	100.00	FC
Bostik Egypt For Production of Adhesives S.A.E		Egypt	100.00	FC
Bostik Findley China Co Ltd.		China	100.00	FC
Bostik Findley Malaysia Sdn.-Bhd.		Malaysia	100.00	FC
Bostik Gmbh		Germany	100.00	FC
Bostik Holding Australia Ltd		Australia	100.00	FC
Bostik Holding Hong Kong Ltd.		Hong Kong	100.00	FC
Bostik Holding SA		France	100.00	FC
Bostik Inc.		United States	100.00	FC
Bostik India Private Ltd.		India	100.00	FC
Bostik Industries Ltd.		Ireland	100.00	FC
Bostik Korea Ltd.		South Korea	100.00	FC
Bostik Ltd.		United Kingdom	100.00	FC
Bostik Mexicana SA de CV		Mexico	100.00	FC
Bostik Nederland BV		Netherlands	100.00	FC
Bostik New Zealand		New Zealand	100.00	FC
Bostik-Nitta Co. Ltd.		Japan	66.00	FC
Bostik OOO		Russia	100.00	FC
Bostik OY		Finland	100.00	FC
Bostik Philippines Inc.		Philippines	100.00	FC
Bostik Polska SP Z.O.O		Poland	100.00	FC
Bostik SA		France	100.00	FC
Bostik SA (Spain)		Spain	100.00	FC
Bostik SIA		Latvia	100.00	FC
Bostik Shanghai Management Co. Ltd.		China	100.00	FC
Bostik (Thailand) Co. Ltd		Thailand	100.00	FC
Bostik UAB		Lithuania	100.00	FC
Bostik Vietnam Company Ltd		Vietnam	100.00	FC
Ceca Belgium		Belgium	100.00	FC
Ceca LC	(b)	France	100.00	FC

Ceca SA	(b)	France	100.00	FC
Ceca Watan Saudi Arabia		Saudi Arabia	51.00	FC
Cekomastik Kimya Sanayi Ve Ticaret A.S		Turkey	100.00	FC
Changshu Coatex Additives Co. Ltd.		China	100.00	FC
Changshu Haike Chemicals Co. Ltd.		China	49.00	FC
CJ Bio Malaysia Sdn. Bhd.		Malaysia	14.00	SI
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Latin America Industria et Comercio Ltda		Brazil	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Daikin Arkema Refrigerants Asia Ltd.		Hong Kong	40.00	JV
Daikin Arkema Refrigerants Trading Shanghai Co. Ltd.		China	40.00	JV
DBEW Holding BV		Netherlands	100.00	FC
Debratec GmbH		Germany	100.00	FC
Den Braven Aerosols GmbH		Germany	100.00	FC
Den Braven Beheer BV		Netherlands	100.00	FC
Den Braven Belgium N.V.		Belgium	100.00	FC
Den Braven Benelux BV		Netherlands	100.00	FC
Den Braven East sp Z.o.o		Poland	100.00	FC
Den Braven Endustriel		Turkey	100.00	FC
Den Braven France Sarl		France	100.00	FC
Den Braven Hellas SA		Greece	100.00	FC
Den Braven Holding BV		Netherlands	100.00	FC
Den Braven OG BV		Netherlands	100.00	FC
Den Braven Productos Quim. Ldo.		Portugal	100.00	FC
Den Braven Romania Srl		Romania	100.00	FC
Den Braven Sealants Espana SL		Spain	100.00	FC
Den Braven Sealants GmbH		Austria	100.00	FC
Den Braven Sealants South Africa Pty Ltd		South Africa	100.00	FC
Delaware Chemicals Corporation		United States	100.00	FC
Distri Mark France SAS		France	100.00	FC
Febex SA		Switzerland	96.77	FC
Hebei Casda Biomaterials Co. Ltd		China	100.00	FC
Ihsedu Agrochem Private Ltd		India	24.90	SI
Jiangsu Bostik Adhesive Co. Ltd		China	100.00	FC
Maquiladora General de Matamoros SA de CV	(b)	Mexico	100.00	FC
MEM BAUCHEMIE Gmbh		Germany	100.00	FC
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Mydrin Srl		Italy	100.00	FC
Odor-Tech LLC		United States	100.00	FC
Oxochimie	(a)	France	50.00	JO
Ozark Mahoning Company		United States	100.00	FC
PT Bostik Indonesia		Indonesia	100.00	FC

Sartomer Asia Limited	Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co. Ltd.	China	100.00	FC
Sartomer Shanghai Distribution Company Limited	China	100.00	FC
Seki Arkema	South Korea	51.00	FC
Siroflex Inc.	United States	100.00	FC
Siroflex Ltd	United Kingdom	100.00	FC
Société Marocaine des Colles	Morocco	97.01	FC
Sovereign Chemicals Ltd	United Kingdom	100.00	FC
Suzhou Hipro Polymers Co. Ltd	China	100.00	FC
Taixing Sunke Chemicals	China	55.00	JO
Tamer Endustriyel Madencilik Anonim Sirketi	Turkey	50.00	FC
Turkish Products, Inc.	United States	100.00	FC
Usina Fortaleza Industria E commercio de massa fina Ltda	Brazil	100.00	FC
Vetek	Argentina	60.00	FC
Viking chemical company	United States	100.00	FC
Zhuhai Bostik Adhesive Ltd	China	100.00	FC

NB: FC: full consolidation
JO: joint operation – consolidated based on shares of assets, liabilities, income and expenses
JV: joint venture - consolidation by the equity method
SI: significant influence - consolidation by the equity method

III - DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2017

I certify that, to the best of my knowledge, the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all its consolidated companies, and that the half-year activity report on pages 3 to 11 includes a fair review of the main events of the first six months of the year, their impact on the consolidated financial statements, the major transactions between related parties, and that it describes the main risks and uncertainties for the remaining six months of the financial year.

Colombes, 1 August 2017

Thierry Le Hénaff
Chairman and CEO

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

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

Arkema

For the period from January 1 to June 30, 2017

Statutory auditors' review report on the half-yearly financial information

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Arkema

For the period from January 1 to June 30, 2017

Statutory auditors' review report on the half-yearly financial information

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Arkema, for the period from January 1 to June 30, 2017.

- the verification of the information presented in the half-yearly management report.

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

1. Conclusion on the financial statements

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

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

2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Paris-La Défense, August 1, 2017

The Statutory Auditors
French original signed by

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

Bertrand Desbarrières

François Quédiniac

Denis Thibon