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FINANCIAL REPORT 1st HALF 2007

First half ended June 30th 2007

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HALF-YEAR ACTIVITY REPORT

I. HIGHLIGHTS

Over the first six months of 2007, ARKEMA actively pursued its transformation as well as the implementation of its strategy around its three priorities, i.e. improvement in competitiveness, organic growth, and portfolio management.

In the **Vinyl Products** segment, the Pipes and Profiles business unit announced in January 2007 a project for the future of the Soveplast industrial site at Chantonnay (France) designed to restore the site's competitiveness. In February 2007 the Vinyl Compounds business unit also announced a plan to shutdown Dorlyl activities in France and in Italy.

In May 2007, ARKEMA sold its land at the port of Tacoma in the United States.

A fire broke out in the night of May 23rd to May 24th in one of the three furnaces of the vinyl chloride (VCM) production unit in Lavéra (France), resulting in the shutdown of the plant. The production units were gradually brought back into service in July. The affected furnace is scheduled to be restarted in late September. This incident deeply affected VCM manufacture, but actually had little impact on PVC sales. *Force majeure* was not declared.

In the **Industrial Chemicals** segment, the Thiochemicals business unit launched an action plan in January 2007 to improve the competitiveness of its Lacq-Mourenx production site (France). The project will help streamline the organization, while also entailing a 30% production capacity increase for DMDS. In the first quarter 2007, the Acrylics business unit launched a performance plan at its Carling-Saint-Avold site (France) in order to increase its competitiveness. Finally, in March 2007, the Fluorochemicals business unit announced the refocus of the Pierre-Bénite plant (France) on its best performing businesses in order to make it a competitive European site over the long term. The information and consultation process with the works council was completed on June 18th.

The Industrial Chemicals segment also refocused its activities by selling to Taminco on May 1st 2007 its specialty amines business (part of the Thiochemicals BU), with production based on the Riverview site (United States). This activity generated sales of 72 million US dollars in 2006. The divestment has no impact on the group's financial statements.

ARKEMA continued to develop this segment with the announcement of a 10% production capacity increase for Hydrogen Peroxide in Jarrie (France) and the signature of an MOU with the Essar Group for the proposed construction of an acrylics plant in India.

In line with 2006, when the priority was to restore the competitiveness of the **Performance Products** segment, new measures were announced in this segment in the first half of the year. In May 2007 the Technical Polymers business unit announced the two-step shutdown of its copolyamide powder production plant in Bonn (Germany). In June 2007, the Functional Additives business unit launched a project to reorganize its Vlissingen site (Netherlands). Finally, also in June 2007, the Specialty Chemicals business unit announced a project to reorganize its Feuchy site (France).

The Performance Products business unit also simplified its portfolio with the divestment on February 1st 2007 of its Cerexagri agrochemicals business to the Indian company United Phosphorus Limited (UPL). This activity generated sales of 202 million euros in 2006. In May 2007, ARKEMA announced a project to sell to the American company Hexion Specialty Chemicals its Urea Formaldehyde Resins business, for which production is based at the Leuna site (Germany). This activity generated sales of 101 million euros in 2006. This sale should produce a positive impact in the 2007 accounts.

Finally, ARKEMA confirmed its intention to participate in the consortium under the terms proposed by Exeltium. The draft contract between Exeltium and EDF is currently being examined by the European antitrust authorities.

II. ANALYSIS OF FINANCIAL RESULTS FOR THE FIRST HALF OF 2007

(in millions of euros)	1st half 2006	1st half 2007	Variations in %
Sales	**2,954**	**2,977**	**+0.8 %**
EBITDA	**234**	**284**	**+21%**
Recurring operating income	**124**	**177**	**+43%**
Other income and expenses	-40	-79	
Operating income	**84**	**98**	**+17%**
Net income – *Group share*	**37**	**67**	**+81%**
CAPEX	**134**	**108**	**-19%**
Net debt *(vs 12/31/06)*	**324**	**198**	**-39%**

Sales

In the first six months of 2007, ARKEMA's sales grew by 0.8 % to 2,977 million euros against 2,954 million euros in the first half of 2006. Excluding the impact of exchange rates (-2.4 %) and variations in the scope of business (-0.4%), sales increased by 3.6%. This increase results from a strong rise in average sales prices in all three business segments (+2.9 %) as well as organic growth in volumes (+1.7%). Over the first half of the year, loss in volumes related to the Chlorochemicals and Urea Formaldehyde Resins restructuring plans represented (-0.9%).

Sales for the Vinyl Products segment recorded a major increase (+5.6 %) thanks to a favorable environment in PVC leading to a rise in average sales prices and volumes. Sales for the Industrial Chemicals and Performance Products segments, adjusted for the negative effect of exchange rates, rose by +2.6 % and +2.3 % respectively.

Recurring operating income

The recurring operating income rose by 43 % from 124 million euros in the first six months of 2006 to 177 million euros in the first six months of 2007. This significant improvement results from an organic growth in volumes and a reduction in fixed costs under favorable market conditions overall despite ongoing low unit margins in Acrylics, Fluorochemicals for refrigeration, and tin-based Additives.

EBITDA rose by 21 % from 234 million euros to 284 million euros, i.e. an EBITDA margin of 9.5 % against 7.9 % for the first six months of 2006.

Operating income

Operating income rose by 14 million euros, from 84 million euros in the first half of 2006 to 98 million euros over the first half of 2007, despite a 39 million euro increase in net expenses related to the competitiveness measures announced in the first half of 2007. This other income and expenses mainly include the cost of the restructuring plans for all three segments, Vinyl Products (10 million euros), Industrial Chemicals (50 million euros), and Performance Products (21 million euros), with a 16 million euros capital gain from the sale of the Tacoma land and (-13) million euros corresponding to the financial consequences in the second quarter of the Lavéra fire. Based on our present estimates and on the deductibles under the terms of our insurance policies, the financial consequences of this accident should represent beyond the second quarter an additional amount inferior to (-10) million euros in operating income.

Net income - Group share

Net income - Group share rose by 81 %, from 37 million euros to 67 million euros. This major rise results up to 20 million euros from the improvement in the net income of continuing activities. This result also include the net income from discontinued activities for an amount of 18 million euros (against 8 million euros in the first half of 2006), which corresponds to the capital gain from the sale of the Agrochemicals business, Cerexagri.

Activity per segment

Vinyl Products sales grew by 5.6% to 750 million euros against 710 million euros in the first half of 2006, in a context of sustained demand in Europe. EBITDA for this segment rose significantly, to 61 million euros against 25 million euros in the first half of 2006, the margin reaching 8.1%. The improvement in the results reflects the increase in unit margins and the positive impact of the implementation of the Chlorochemicals consolidation plan initiated in 2005. The closure of the Lavéra production units (France) deeply affected VCM manufacture, but actually had little impact on PVC sales. *Force majeure* was not declared.

Industrial Chemicals sales dropped by 0.8% to 1,308 million euros. Following adjustments for the negative exchange rate impact from the decline of the US dollar versus the euro, sales grew by 2.6%, bolstered by higher volumes, primarily in Fluorochemicals and Hydrogen Peroxide, and unit prices. EBITDA in the first half of the year reached 147 million euros, i.e. an 11.2% EBITDA margin, reflecting better balanced results between the segment's business units. The improvement in the Thiochemicals and PMMA results and a strict control of fixed costs, boosted by the initial impact of restructuring measures, helped offset more difficult market conditions in Fluorochemicals for refrigeration as well as Acrylics.

Performance Products sales declined by 0.7% to 916 million euros, i.e. a 2.3% improvement given constant exchange rates, and despite the impact of the closure of the Urea Formaldehyde Resins activity at Villers-Saint-Paul (France) end of June 2006. This improvement is the result of an increase in unit sales prices and in volumes in every business unit. In line with 2006, when the priority focused on restoring the segment's competitiveness, EBITDA showed a major improvement to 104 million euros, with an EBITDA margin of 11.4% against 9% in the first half of 2006. This significant improvement results from projects initiated in the last two years, which have now translated into the launch of new products in Technical Polymers and Specialty Chemicals, and from a tight control of fixed costs, offsetting the negative impact of exchange rates.

Cash flow

Cash flow related to operations and investments in the first half of the year was positive at +132 million euros against (-149) million euros in the first half of 2006. It includes the proceeds from the divestments finalized in the first half of the year (€ +137 million), as well as cash flow from non-recurring pre spin-off items[1] (-36 million euros), including 14 million euros capital expenditures relating to the Chlorochemicals consolidation plan. Following adjustments for these items, cash flow for the first half of the year remained positive at +31 million euros, despite an increase in working capital (-78 million euros) resulting from the seasonal increase in activity, with capital expenditures (excluding the Chlorochemicals consolidation plan) totalling 94 million euros.

Net debt

Net debt at the end of June stood at 198 million euros, and the balance of non-recurring pre-spin off items at 172 million euros. The ratio between the sum of both items and the shareholders' equity stood at 19% at the end of June compared to 28% at the end of December 2006.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties feature in note 16 to the condensed consolidated financial statements as at June 30th 2007.

IV. SIGNIFICANT EVENTS POST JUNE 30TH 2007

ARKEMA announced on July 3rd 2007 a plan to acquire the Coatex group currently owned by the Omya group. This acquisition is fully in line with the strategy to refocus ARKEMA on its strongest product lines. It will reinforce the integration of the acrylics business, thereby helping ARKEMA to become more resilient to economic cycles. Furthermore, the Coatex activities offer strong synergies with those of ARKEMA in raw material, process and R&D terms. The legal information and consultation process involving the works councils of the three groups involved - ARKEMA, Coatex and Omya – has been completed, and the deal is now awaiting approval from the antitrust authorities.

With its headquarters and main site in Genay, near Lyon (France), Coatex also operates industrial facilities in Europe, the United States and Asia. It employs 300 people around the world, and in 2006 reported sales of 150 million euros.

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[1] Non-recurring pre-spin off items correspond to items taken into account for the computation of the theoretical financial debt at the time of the spin off.

V. OUTLOOK

The market conditions of the first half of 2007 should overall continue to prevail in the second half of the year with sustained demand in Europe and in Asia and good conditions in caustic soda and PVC. However, margins should remain low in Acrylics and in some Fluorochemicals, and US dollar should remain weak versus the euro. ARKEMA will remain attentive to the evolution of raw material costs and to the US economy. In this context, ARKEMA is confident of reaching, over 2007, the higher range of the EBITDA growth objective of 10 to 15% per year. This outlook takes into account the seasonal nature of ARKEMA's results, with the first six months of the year traditionally stronger than the last six months and the impact of the turnarounds scheduled for this period, primarily in Fos for Vinyl Products and in Lacq for Thiochemicals.

In 2007, capital expenditures should be around 350 million euros including those related to the Chlorochemicals restructuring plan.

Over the same period, the main risks and uncertainties of the group are those described in the group's 2006 Reference Document registered with the *Autorité des marchés financiers* (« AMF ») on May 21st 2007 under number R.07-073. This document is available on ARKEMA's website, Finance section (www.finance.arkema.com) and on the AMF website (www.amf-france.org). Additionally, an update of contingent liabilities, where applicable, is given in a note to the half-year financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT JUNE 30, 2007

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CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	**Six months ended June 30, 2006**	**Six months ended June 30, 2007**
Sales	(2&3)	2954	2977
Operating expenses		(2531)	(2520)
Research and development expenses		(83)	(76)
Selling and administrative expenses		(216)	(204)
Recurring operating income	(2)	**124**	**177**
Other income and expenses	(4)	(40)	(79)
Operating income	(2)	**84**	**98**
Equity in income of affiliates		-	1
Cost of debt		(5)	(9)
Income taxes	(5)	(49)	(40)
Net income of continuing operations		**30**	**50**
Net income of discontinued operations	(6)	**8**	**18**
Net income		**38**	**68**
Minority interests		1	1
Net income – Group share		**37**	**67**
Earnings per share (amount in euros)	(7)	*0.61*	*1.11*
Diluted earnings per share (amount in euros)	(7)	*0.61*	*1.10*
Depreciation and amortization	(2)	(110)	(107)
EBITDA *	(2)	234	284

* see note B-15 Accounting policies / Main accounting and financial indicators

The consolidated accounts at June 30, 2006 have been restated for the disposal of the Cerexagri business in application of IFRS5.

As from January 1, 2007, the interest expense and expected return on plan assets calculated in the valuation of pension benefits have been reclassified from operating income to cost of debt. At June 30, 2007, the amount reclassified is a net expense of €2.8 million.

For comparative purposes, the reclassification would have amounted to €3.5 million at June 30, 2006.

At June 30, 2007, the research tax credit of the French companies is recorded as a deduction from “operating expenses” for €4.1 million.

At June 30, 2006, this credit was recorded under “Income taxes” for €4.3 million.

CONSOLIDATED BALANCE SHEET

In millions of euros	Notes	**December 31, 2006**	**June 30, 2007**
ASSETS			
Intangible assets, net	(9)	236	228
Property, plant and equipment, net	(10)	1376	1353
Equity affiliates: investments and loans	*	104	102
Other investments		21	21
Deferred income tax assets	*	36	34
Other non-current assets	*	121	111
TOTAL NON-CURRENT ASSETS		**1894**	**1849**
Inventories	(11)	1036	962
Accounts receivable	*	1011	1179
Prepaid expenses and other current assets	*	202	205
Income taxes recoverable		36	35
Cash and cash equivalents		171	68
Total assets of discontinued operations		144	0
TOTAL CURRENT ASSETS		**2600**	**2449**
TOTAL ASSETS		**4494**	**4298**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		605	605
Paid-in surplus and retained earnings	*	1313	1389
Cumulative translation adjustment		(27)	(48)
Treasury shares		-	-
SHAREHOLDERS' EQUITY - GROUP SHARE		**1891**	**1946**
Minority interests		15	20
TOTAL SHAREHOLDERS' EQUITY		**1906**	**1966**
Deferred income tax liabilities		14	14
Provisions and other non-current liabilities	(12) *	891	908
Non-current debt	(14)	52	48
TOTAL NON-CURRENT LIABILITIES		**957**	**970**
Accounts payable	*	791	743
Other creditors and accrued liabilities	*	314	371
Income taxes payable		14	30
Current debt	(14)	443	218
Total liabilities of discontinued operations		69	0
TOTAL CURRENT LIABILITIES		**1631**	**1362**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4494**	**4298**

* The amounts shown at December 31, 2006 include the effects of the changes in accounting policies and reclassifications described in note 8.

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**Six months ended June 30, 2006**	**Six months ended June 30, 2007**
Net income	38	68
Depreciation, amortization and impairment of assets	111	127
Provisions, valuation allowances and deferred taxes	(33)	29
(Gains)/losses on sales of assets	(3)	(56)
Undistributed affiliate equity earnings	-	(1)
Change in working capital	(128)	(78)
Other changes	-	4
Cash flow from operating activities	**(15)**	**93**
Intangible assets and property, plant, and equipment additions	(134)	(108)
Acquisitions of subsidiaries, net of cash acquired	-	(5)
Increase in long-term loans	(30)	(4)
Total expenditures	**(164)**	**(117)**
Proceeds from sale of intangible assets and property, plant, and equipment	1	35
Proceeds from sale of subsidiaries, net of cash sold	-	106
Proceeds from sale of other investments	9	-
Repayment of long-term loans	20	15
Total divestitures	**30**	**156**
Cash flow from investing activities	**(134)**	**39**
Issuance (repayment) of shares	532	5
Dividends paid to Parent company shareholders	-	-
Dividends paid to Minority shareholders	(1)	-
Issuance of long-term debt	-	-
Repayment of long-term debt	(2)	(4)
Increase in short-term borrowings and bank overdrafts	-	-
Decrease in short-term borrowings and bank overdrafts	(371)	(225)
Cash flow from financing activities	**158**	**(224)**
Net increase/(decrease) in cash and cash equivalents	9	(92)
Effect of exchange rates and changes in scope	(10)	(11)
Cash and cash equivalents at beginning of period	67	171
Cash and cash equivalents at end of period	**66**	**68**

The cash flow statement at June 30, 2006 includes cash flows of discontinued operations (Cerexagri) (see note 6).

At June 30, 2007, income taxes paid amounted to €16 million.

Interest received and paid at June 30, 2007 amounted, respectively, to €0.1 million and €7 million.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

In millions of euros	Shares issued					Treasury shares				
	Number	Amount	Paid-in surplus	Retained earnings	Cumulative translation adjustment	Number	Amount	Shareholders' equity - Group share	Minority interests	Total share-holders' equity
At January 1, 2006	**4 000**	**-**	**-**	**1 312**	**83**	**-**	**-**	**1 395**	**14**	**1 409**
Cash dividend	-	-	-	-	-	-	-	-	(1)	(1)
Net income	-	-	-	37	-	-	-	37	1	38
Issuance of share capital	60 449 823	605	1 006	(1078)	-	-	-	532	-	532
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**60 449 823**	**605**	**1 006**	**(1041)**	**-**	**-**	**-**	**569**	**-**	**569**
Changes in items recognized directly through equity	-	-	-	-	-	-	-	-	-	-
Statement of recognized income and expenses (*)	-	-	-	17	-	-	-	17	-	17
Change in translation adjustments	-	-	-	-	(73)	-	-	(73)	-	(73)
Items other than transactions with shareholders	**-**	**-**	**-**	**17**	**(73)**	**-**	**-**	**(55)**	**-**	**(55)**
At June 30, 2006	**60 453 823**	**605**	**1 006**	**288**	**10**	**-**	**-**	**1 909**	**14**	**1 923**
Cash dividend	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	8	-	-	-	8	1	9
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	5	-	-	-	5	-	5
Transactions with shareholders	**-**	**-**	**-**	**13**	**-**	**-**	**-**	**13**	**1**	**14**
Changes in items recognized directly through equity	-	-	-	1	-	-	-	1	-	1
Statement of recognized income and expenses (*)	-	-	-	5	-	-	-	5	-	5
Change in translation adjustments	-	-	-	-	(37)	-	-	(37)	-	(37)
Items other than transactions with Shareholders	**-**	**-**	**-**	**6**	**(37)**	**-**	**-**	**(31)**	**-**	**(31)**
At December 31, 2006	**60 453 823**	**605**	**1 006**	**307**	**(27)**	**-**	**-**	**1 891**	**15**	**1 906**

The amounts at January 1, 2006 and at December 31, 2006 include the effects of the changes in accounting policies and reclassifications presented in note 8.

* See note B-10 Accounting policies / Pension and similar post-employment benefit obligations

In millions of euros	Shares issued		Paid-in surplus	Retained earnings	Cumulative translation adjustment	Treasury shares		Shareholders' equity - Group share	Minority interests	Total share-holders' equity
	Number	Amount				Number	Amount			
At January 1, 2007	**60 453 823**	**605**	**1 006**	**307**	**(27)**	**-**	**-**	**1 891**	**15**	**1 906**
Cash dividend	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	67	-	-	-	67	1	68
Issuance of share capital	-	-	-	-	-	-	-	-	5	5
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**67**	**-**	**-**	**-**	**67**	**6**	**73**
Changes in items recognized directly through equity	-	-	-	3	-	-	-	3	-	3
Statement of recognized income and expenses (*)	-	-	-	4	-	-	-	4	-	4
Change in translation adjustments	-	-	-	-	(21)	-	-	(21)	(1)	(22)
Other	-	-	-	2	-	-	-	2	-	2
Items other than transactions with shareholders	**-**	**-**	**-**	**9**	**(21)**	**-**	**-**	**(12)**	**(1)**	**(13)**
At June 30, 2007	**60 453 823**	**605**	**1 006**	**383**	**(48)**	**-**	**-**	**1 946**	**20**	**1 966**

* See note B-10 Accounting policies / Pension and similar post-employment benefit obligations

A. HIGHLIGHTS

1. Main restructuring initiatives in the half year

1.1. Restructuring plans in the Vinyl Products segment

A project for the future of Soveplast's industrial site at Chantonnay, France (Pipes and Profiles BU) was announced in January 2007 with a view to restoring the site's competitiveness.

In February 2007, Arkema also announced a project to shutdown Dorlyl activities in France and Italy in its Vinyl Compounds BU.

1.2. Restructuring plans in the Industrial Chemicals segment

In January 2007, the Thiochemicals BU launched an action plan to improve the competitiveness of its production site at Lacq-Mourenx (France). This project will result in the simplification of the organization and in a 30% increase in the production capacity of DMDS.

During the first quarter of 2007, the Acrylics BU launched a performance plan on its site at Carling-Saint-Avold (France) with a view to increasing its competitiveness.

Finally, in March 2007, the Group announced, in its Fluorochemicals BU, the refocus of its plant at Pierre-Bénite (France) on its best performing businesses in order to make it a competitive fluorochemicals European site. The information and consultation process was completed on June 18.

1.3. Restructuring plans in the Performance Products segment

In May 2007, Arkema announced, in its Technical Polymers BU, the closure in two steps of its co-polyamide powder production plant at Bonn (Germany).

In June 2007, Arkema announced restructuring measures in respect of its functional additives site at Vlissingen (Netherlands).

2. Main changes in the portfolio of businesses

2.1. Sale of Cerexagri to UPL

In November 2006, Arkema announced the sale of its agrochemicals business, Cerexagri, which specializes in the formulation and production of phytosanitary products to United Phosphorus Limited (UPL), an Indian company. This business generated sales of €202 million in 2006.

On February 1, 2007, Arkema finalized the sale of Cerexagri to UPL. After taking account of selling costs and the warranties granted to the purchaser, the capital gain on sale amounted to approximately €18 million (see note 6).

2.2. Sale to Taminco of the specialty amines business in the United States

On May 1, 2007, Arkema sold its specialty amines business (which formed part of the Thiochemicals Business Unit), whose production is based at the Riverview (Michigan) site, to Taminco, a Belgian group. This business generated sales of $72 million in 2006 and sales of $21 million in the first three months of 2007. The sale has no impact on the Group's financial statements.

2.3. Project to sell the Urea Formaldehyde Resins business based on the Leuna site to Hexion

In May 2007, Arkema announced its project to sell its Urea Formaldehyde Resins business, whose production is based on the German site of Leuna, to Hexion Specialty Chemicals, an American company. This business generated sales of €101 million in 2006 and sales of €56 million in the first half of 2007. This sale should have a positive impact on the financial statements in the second half of 2007.

2.4. Sale of property assets

In May 2007, Arkema sold its land at the port of Tacoma in the United States. The accounting impacts of this sale are presented in "Other income and expenses" (note 4).

3. Events on the site of Lavéra (France)

In the night of May 23 to May 24, 2007, a fire started in one of the three ovens of the vinyl chloride production unit causing the shutdown of the production units. The financial consequences of this incident at June 30, 2007 are included in "Other income and expenses".

B. ACCOUNTING POLICIES

Arkema's condensed consolidated interim financial statements at June 30, 2007 were prepared under the responsibility of the Chairman and CEO of Arkema S.A and were approved by the Board of Directors of Arkema SA on August 8, 2007.

The condensed consolidated interim financial statements at June 30, 2007 are prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) that have been approved by the European Union at June 30, 2007 and in compliance with IAS 34 "Interim financial reporting". As condensed interim financial statements, they do not incorporate all of the disclosures required in full financial statements and must thus be read in conjunction with the consolidated financial statements for the year ended December 31, 2006.

The accounting policies applied in preparing the consolidated financial statements at June 30, 2007 are identical to those used in the consolidated financial statements at December 31, 2006, except for:

- the treatment of actuarial gains and losses, for which Arkema has decided to abandon the "corridor" method and to use the option provided by the "Actuarial Gains and Losses , Group plans and disclosures" amendment to IAS 19 of December 2004, which enables recognition of actuarial gains and losses arising from changes in actuarial assumptions directly in shareholders' equity under the "Statement of recognized income and expenses" caption,
- the classification, as from January 1, 2007, of interest expense and expected return on plan assets (as defined by IAS 19) within the cost of debt caption, as against the previous classification within operating income and expenses,
- IFRS standards, amendments and interpretations that are obligatorily applicable for accounting periods commencing on or after January 1, 2007 (and which had not been applied early by the Group), being: IFRICs 7, 8, 9 & 10, IFRS 7, and the amendment to IAS 1. Their application does not have any impact on the Group's condensed consolidated financial statements at June 30, 2007.

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

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

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

1. Basis of preparation of the consolidated financial statements at June 30, 2006 and at December 31, 2006

The Arkema Group was legally formed on May 18, 2006, being the date on which the "Spin-off of Arkema's Businesses" took place. The two partial spin-offs and the merger were accounted for at net book value as exchanges of assets between entities under common control.

All companies in the Arkema scope were consolidated as of January 1, 2006, as:

i) The Arkema Group existed operationally prior to May 18, 2006, and

ii) All businesses were controlled at January 1, 2006 (effective control as a result of the existence of a Group management team).

The consolidated financial statements for 2006 cover the period from January 1, 2006, notwithstanding the date of finalization of the legal transactions. The consolidated financial statements at June 30, 2006 and at December 31, 2006

are prepared on the basis of the individual financial statements of consolidated companies covering the same period, restated if necessary to comply with the accounting policies of the Arkema Group.

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

2. Consolidation principles

Companies which are directly or indirectly controlled by Arkema have been fully included in the consolidated financial statements.

Investments in companies under joint control are accounted for by the equity method.

Investments in associates over which significant influence is exercised are accounted for under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.

Shares owned in companies which do not meet the above criteria are included in other investments.

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

3. Foreign currency translation

3.1. Translation of financial statements of foreign companies

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

3.2. Transactions in foreign currencies

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

4. Intangible assets

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

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

4.1. Goodwill and trademarks

Goodwill represents the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the value of their net assets and contingent liabilities at the acquisition date. Goodwill is not amortized, in accordance with IFRS 3 “Business combinations”. It is subject to impairment tests as soon as any indicators of potential impairment are identified. At a minimum, impairment tests are performed annually. The methodology used for the performance of impairment tests is described in paragraph 6.

Trademarks with indefinite useful lives are treated in the same way as goodwill. Those with finite useful lives are amortized over their useful lives.

4.2. Research and development costs

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

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

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

5. Property, plant and equipment

5.1. Gross value

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

Equipment subsidies are deducted directly from the cost of the assets which they financed. Routine maintenance and repairs are charged to income in the period in which they are incurred. Costs related to major maintenance shutdowns of large chemical facilities are capitalized at the time they are incurred and depreciated over the period between two such major shutdowns.

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

5.2. Depreciation

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

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

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

6. Impairment of long-lived assets

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

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

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

circumstances. In particular, in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be reversed.

7. Financial assets and liabilities

For the Group, financial assets and liabilities are principally comprised of:

- other investments (non-consolidated companies and investment securities),
- other non-current assets (loans and advances),
- accounts receivable,
- debt and other financial liabilities (including accounts payable),
- derivatives.

7.1. Other investments (in non-consolidated companies and investment securities)

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

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

7.2. Loans and financial receivables

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

7.3. Accounts receivable

Accounts receivable and other current assets are initially recognized at their fair value. Subsequent to initial recognition, they are recognized at amortized cost in accordance with the effective interest rate method. If required, a bad debt provision is recognized on the basis of the risk of non-recovery of the receivables.

7.4. Cash and cash equivalents

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

7.5. Non-current and current debt

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

7.6. Derivatives

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

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

8. Inventories

Inventories are valued in the consolidated financial statements at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost of inventories is generally determined using the weighted average cost (WAC) method.

Cost of chemical products inventories includes raw material and direct labor costs and an allocation of production overheads and straight-line depreciation. Start-up costs and general and administrative costs are excluded from the cost of chemical products inventories.

9. Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities.
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party, and
- its amount can be estimated reliably and corresponds to the best possible estimate of the commitment. In exceptional cases where the amount of the obligation cannot be measured with sufficient reliability, disclosure is made in the notes to the financial statements in respect of the obligation (See Note 13 – Contingent liabilities).

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

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

10. Pension and similar post-employment benefit obligations

In accordance with IAS 19 "Employee benefits":

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

Post-employment benefits

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

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

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

As from January 1, 2007, the Group has decided to abandon the "corridor" method and to use the option provided by the "Actuarial Gains and Losses, Group plans and disclosures" amendment to IAS 19 of December 2004 which enables recognition of actuarial gains and losses arising from changes in actuarial assumptions directly in shareholders' equity under the "Statement of recognized income and expenses" caption,

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

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

Long-term benefits

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

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

- the effect of curtailments or settlements of plans which are presented under the "Other income and expenses" caption in the case of substantial modifications to such plans.
- the interest expense and expected return on plan assets which are classified within the "Cost of debt" caption as from January 1, 2007.
-

11. CO2 emissions allowances

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

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

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

12. Recognition of sales

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

13. Deferred taxes

The Group uses the liability method whereby deferred income taxes are recognized based upon the temporary differences between the financial statement and tax basis of assets and liabilities, as well as on tax loss carry forwards and other tax credits, in accordance with IAS 12 "Income taxes".

Deferred tax assets and liabilities are valued on the basis of tax rates enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period.

Deferred tax assets are recognized to the extent that their recovery is probable. In order to assess the likelihood of recovery of such assets, account is notably taken of the profitability outlook determined by the Group.

14. Information by segment

Information by segment is prepared on the basis of two separate criteria. The primary criterion is based on the Group's business segments; the secondary criterion is based on the main geographical areas in which the group operates.

The financial information for each business segment is reported on the same basis as that used internally by management in assessing segment performance and in allocation of segment resources.

The Group's activities are conducted through three business segments: Vinyl Products, Industrial Chemicals and Performance Products.

- Vinyl Products include Chlorine/Caustic Soda and PVC, Vinyl Compounds and downstream converting (Pipes and Profiles). They are used in areas such as water treatment, healthcare, hygiene, electronics, sports and leisure and automobile equipment.
- Industrial Chemicals brings together Acrylics, PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide. These intermediates are used as raw materials in numerous industrial sectors such as refrigeration, insulation, production of paper pulp, textiles, pharmaceuticals, animal feed, ink and paint, electronics and the automobile sector.
- Performance Products brings together Technical Polymers, Specialty Chemicals, Organic Peroxides, Functional Additives and Urea Formaldehyde Resins. Performance Products are used in a variety of sectors from transport to sporting equipment, cosmetics to medical equipment, construction, civil engineering and even household appliances.

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

15. Main accounting and financial indicators

The main performance indicators used are as follows:

- **Operating income**: this includes all income and expenses other than the cost of debt, equity in income of affiliates and income taxes.
- **Other income and expenses**: these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets,
  - certain large restructuring and environmental expenses which would hamper the interpretation of recurring operating income,
  - certain expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations,
  - costs related to the spin-off of the Arkema Businesses.
- **Recurring operating income**: this is calculated as the difference between operating income and other income and expenses as previously defined.
- **EBITDA**: this corresponds to recurring operating income increased by depreciation and amortization (previously called "Recurring EBITDA").
- **Working capital**: this corresponds to the difference between inventories, accounts receivable, prepaid expenses and other current assets and 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.

16. Cash flow statements

Cash flows in foreign currencies are translated into euros using the average exchange rates of each period. Cash flow statements exclude foreign exchange differences arising from the translation into euros of assets and liabilities

recognized in balance sheets denominated in foreign currencies at the end of the period (except for cash and cash equivalents). In consequence, cash flows cannot be recalculated on the basis of the amounts shown in the balance sheet.

Changes in short-term borrowings and bank overdrafts are included in cash flows from financing activities.

17. Share-based payment

In application of IFRS2 "Share-based payment", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant.

The fair value of the options is calculated using the Black & Scholes model. It is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.

The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors meeting that decides on the grant, adjusted for dividends not received during the vesting period. It is recognized in personnel expenses on a straight-line basis over the vesting period of the rights.

18. Earnings per share

Earnings per share correspond to the division of net income (Group share) by the weighted average number of ordinary shares in circulation during the period in question.

Diluted earnings per share correspond to the division of net income (Group share) by the weighted number of ordinary shares, both of these figures being adjusted to take account of the effects of all dilutive potential ordinary shares.

The effect of dilution is thus calculated taking account of stock options and free share grants.

19. Discontinued operations

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

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

The Group presents, for the financial year in question, assets and liabilities of continuing operations in the standard manner, to which assets and liabilities of discontinued operations are added. These latter assets and liabilities are not offset but are rather presented respectively in two specific balance sheet captions. The balance sheet of the previous financial year is not modified.

The Group presents, for the financial year in question and the previous financial year, the income statement of continuing operations in the standard manner, to which a single amount representing the income or loss after tax of discontinued operations is added.

For the two financial years considered, the Group presents the cash flow statement without distinguishing between continuing operations and discontinued operations.

20. New accounting standards and interpretations which are not yet applicable

The impact of standards and interpretations published, respectively, by the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) that are not yet in force at June 30, 2007 and that have not been applied early by the Group, such as the amendment to IAS23, IFRS8, IFRIC11 and IFRIC12, are currently being analyzed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Effects of seasonality

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

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

These seasonality effects observed in the past are not necessarily representative of future trends, but they can however influence variations in results and in working capital between the different quarters of the financial year.

Revenues from ordinary activities earned in a seasonal, cyclical or occasional manner during a financial year are neither anticipated nor deferred at interim reporting dates unless it would be appropriate to anticipate or defer them at year end.

2. Information by business segment

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

June 30, 2006 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group Total
Non-Group sales	710	1318	923	4	**2954**
Inter segment sales	40	92	8	-	
Total sales	**750**	**1410**	**931**	**4**	
Recurring operating income	**17**	**104**	**39**	**(36)**	**124**
Other income and expenses	(5)	-	(23)	(12)	**(40)**
Operating income	**12**	**104**	**16**	**(48)**	**84**
Equity in income of affiliates	-	-	-	-	**-**
Details of certain non-cash expenses by segment:					
Depreciation and amortization	(8)	(57)	(44)	(1)	**(110)**
Asset impairment	-	-	-	-	**-**
Changes in non-current provisions recognized through income	14	(3)	(32)	36	**15**
EBITDA	**25**	**161**	**83**	**(35)**	**234**
Intangible assets and property, plant, and equipment additions	37	57	38	2	**134**

The June 30, 2006 consolidated financial statements were restated for discontinued operations in respect of all the above items except "Intangible assets and property, plant, and equipment additions" which is taken from the cash flow statement (see note B19 accounting policies / Discontinued operations).

June 30, 2007 In millions of euros	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group Total
Non-Group sales	750	1 308	916	3	**2977**
Inter segment sales	31	80	10	-	
Total sales	**781**	**1 388**	**926**	**3**	
Recurring operating income	**49**	**96**	**61**	**(29)**	**177**
Other income and expenses	(4)	(51)	(22)	(2)	**(79)**
Operating income	**45**	**45**	**39**	**(31)**	**98**
Equity in income of affiliates	1	-	-	-	**1**
Details of certain non-cash expenses by segment:					
Depreciation and amortization	(12)	(51)	(43)	(1)	**(107)**
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	(3)	(38)	(12)	24	**(29)**
EBITDA	**61**	**147**	**104**	**(28)**	**284**
Intangible assets and property, plant, and equipment additions	32	36	38	2	**108**

3. Information by geographical area

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

June 30, 2006 In millions of euros	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	541	1 144	765	371	133	2 954

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

(1) NAFTA: United States, Canada and Mexico

The figures at June 30, 2006 do not take into account amounts related to discontinued operations presented in note 6.

4. Other income and expenses

In millions of euros	**30.06.2006**			**30.06.2007**		
	Expenses	**Income**	**Net**	**Expenses**	**Income**	**Net**
Restructuring and environmental charges	(31)	-	(31)	(80)	-	(80)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	-	-	-	-	-	-
Damages, litigation and claims	(1)	-	(1)	(15)	-	(15)
Gains (losses) on sales of assets	-	-	-	-	16	16
Other	(10)	2	(8)	-	-	-
Total other income and expenses	**(42)**	**2**	**(40)**	**(95)**	**16**	**(79)**

The amounts related to discontinued operations are presented in note 6.

In the first half of 2006, restructuring and environmental charges mainly include additional expenses in relation to the consolidation of the chlorochemicals business in France for €5 million (these expenses were not able to be provided for because of their nature) and an increase of €23 million in provisions following the announcement of the definitive closure of the production site at Villers-Saint-Paul (France).

Other expenses mainly relate to costs arising on the Spin-Off of the Arkema Businesses.

In the first half of 2007, restructuring and environmental charges mainly include the French sites of Pierre-Bénite (€48 million), Carling (€6 million) and Doryl at Le Havre (€8 million), together with the sites in Bonn (Germany, €8 million) and Vlissingen (Netherlands, €7 million). (See note A-1 Highlights).

Damages, litigation and claims costs mainly relate to the fire which occurred at Lavera (France). (See note A-3 Highlights).

Gains (losses) on sales of assets mainly include the proceeds on the sale of the land at Tacoma (United States). (See note A-2.4 Highlights).

5. Income taxes

The effect of French tax consolidation put in place in 2007 was a current tax saving of €8.8 million in the Group's financial statements at the end of June 2007.

6. Discontinued operations

Discontinued operations include the Cerexagri business sold on 1 February 2007.

The Cerexagri business is presented at June 30, 2006 and June 30, 2007 under a single income statement caption "Net income of discontinued operations" (including, for 2007, the capital gain on the sale).

In millions of euros	**Consolidated accounts 30.06.06**	**Consolidated accounts 30.06.07**
Cerexagri income statement		
Sales	**122**	-
Recurring operating income	**12**	-
Other income and expenses	-	* 18
Operating income	**12**	**18**
Net income	**8**	**18**
Minority interests	-	-
Net income – Group share	**8**	**18**
Depreciation and amortization	(1)	-
EBITDA	**13**	-

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

7. Earnings per share

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

	June 30, 2006	June 30, 2007
Weighted average number of ordinary shares *	60 453 823	60 453 823
Dilutive effect of stock options	-	143 063
Dilutive effect of free share grants	-	96 366
Weighted average number of potential ordinary shares	60 453 823	60 693 252

(*)The weighted average number of ordinary shares used for the calculation of earnings per share for the first half of 2006 is the number of ordinary shares in circulation since the Spin-Off on May 18, 2006.

Earnings per share are calculated as follows:

	June 30, 2006	June 30, 2007
Net income – Group share	37	67
Earnings per share (€)	0.61	1.11
Diluted earnings per share (€)	0.61	1.10

8. Changes in accounting policies and reclassifications to the published consolidated financial statements

As set out in section B, Arkema decided to abandon the “corridor” method and to use the option provided by the “Actuarial Gains and Losses, Group plans and disclosures” amendment to IAS 19 of December 2004 which enables recognition of actuarial gains and losses arising from changes in actuarial assumptions directly in shareholders’ equity under the “Statement of recognized income and expenses” caption. This change in accounting policy was treated retrospectively in accordance with IAS 8. The impacts on shareholders’ equity and the balance sheet are presented in the tables below in (1) and (6). Amortization of actuarial gains and losses in the published accounts at June 30, 2006 was not material.

In addition, reclassifications were made to the consolidated financial statements at December 31, 2006 in order to ensure their comparability with the consolidated financial statements for 2007, in accordance with the provisions of IAS 8 relating to accounting policies, changes in accounting estimates and errors.

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

The impacts of these accounting changes are as follows:

In millions of euros	01.01.2006 published	Changes in accounting policies and reclassifications		01.01.2006 after effects of changes
Paid-in surplus and retained earnings	1366	(54)	*(1)*	**1312**

In millions of euros	31.12.2006 published	Changes in accounting policies and reclassifications		31.12.2006 after effects of changes
Equity affiliates: investments and loans	100	4	*(2)*	**104**
Other non-current assets	125	(4)	*(2)*	**121**
Accounts receivable	1051	(40)	*(3)*	**1011**
Accounts payable	786	5	*(4) (5)*	**791**
Prepaid expenses and other current assets	213	(11)	*(4)*	**202**
Other creditors and accrued liabilities	369	(55)	*(3) (5)*	**314**
Provisions and other non-current liabilities	855	36	*(6)*	**891**
Paid-in surplus and retained earnings	1345	(36) + 4	*(6)*	**1313**
Deferred income tax assets	32	4	*(6)*	**36**

(1) At January 1, 2006, group paid-in surplus and retained earnings were decreased by €54 million, with a double entry being recognized to provisions (+€69 million) and deferred income tax assets (+€15 million). This follows the change in the accounting policy in respect of actuarial gains and losses, which are now recognized immediately against shareholders’ equity, in application of IAS 19.

At January 1, 2006, the balance of actuarial gains and losses was €45 million for pension benefits and €24 million for other employee benefit obligations.

(2) The "Equity affiliates: investments and loans" caption is impacted by a reclassification of + €4 million correcting the "Other non-current assets" caption.

(3) Credit balances on receivables accounts are reclassified from the "Other creditors and accrued liabilities" caption to the "Accounts receivable" caption for €40 million.

(4) Debit balances on payables accounts are reclassified from the "Prepaid expenses and other current assets" caption to the "Accounts payable" caption for €11 million.

(5) The "Accounts payable" caption is also impacted by a reclassification of + €16 million from the "Other creditors and accrued liabilities" caption.

(6) The "Provisions and other non-current liabilities" caption was increased by €36 million with a double entry to reserves:

- Including €26 million of actuarial gains and losses recognized immediately against shareholders' equity following the change in accounting policy described in *(1)*.

  Before recognition of the change in accounting policy, the balance of unamortized actuarial gains and losses at December 31, 2006 was €8 million for pension benefits and €18 million for other employee benefit obligations.

- Including €10 million of actuarial gains and losses generated by the effects of the French social security financing law of November 30, 2006 which modified French retirement mechanisms.

The consequences of these adjustments have been reflected in the change in deferred taxes. The "Deferred income tax assets" caption was increased by €4 million with a double entry to retained earnings.

9. Intangible assets

In the first half of 2007, no provisions for impairment of intangible assets were recorded. This was also the case in the first half of 2006.

10. Property, plant and equipment

In the first half of 2007, capital expenditure on property, plant and equipment amounted to €106 million (€130 million in the first half of 2006). Furthermore, the Group sold and scrapped property, plant and equipment with a gross value of €44 million (€20 million in the first half of 2006).

In the first half of 2007, no provisions for impairment of property, plant and equipment were recorded apart from those booked in the context of restructuring and sale transactions, which amounted to approximately €20 million.

11. Inventories

In the first half of 2007, the Group recognized a net increase of €3 million of provisions for impairment of inventories. This compared to a net reversal of €6 million in provisions for impairment of inventories in the first half of 2006.

12. Provisions and other non-current liabilities

12.1. Other non-current liabilities

Other non-current liabilities amount to €32 million at June 30, 2007, compared with €34 million at December 31, 2006.

12.2. Provisions

In millions of euros	Pensions and similar post employment benefit obligations	Litigation and claims	Environmental contingencies	Restructuring	Other	Total
At January 1, 2007	296 *	52	213	127	169	857
Increases in provisions	13	-	1	75	4	93
Reversals in provisions on use	(13)	(1)	(7)	(34)	(4)	(59)
Reversals of unused provisions	-	-	-	-	(4)	(4)
Changes in scope	-	-	-	-	-	-
Translation adjustments	(1)	-	(2)	-	(1)	(4)
Other	(9)	-	(1)	-	3	(7)
Discontinued operations	-	-	-	-	-	-
At June 30, 2007	**286**	**51**	**204**	**168**	**167**	**876**

* The amounts at January 1, 2007 take into account the effects of changes in accounting policies and reclassifications described in note 8.

12.3. Provisions for pensions and similar post-employment benefit obligations

At June 30, 2007, provisions for pensions and similar benefits are mainly comprised of a Group pre-retirement plan in an amount of €16 million, pension benefits of €173 million and other benefits of €97 million. Other benefits are mainly comprised of healthcare plans.

Pension assets amount to €15 million at June 30, 2007.

12.4. Provisions for litigation and claims

These mainly correspond to provisions recognized in respect of proceedings in progress in Europe pertaining to antitrust legislation (provision of €31 million in liabilities less €18 million in "other non-current assets").

12.5. 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 €103 million.
- In the United States for €84 million, of which €64 million in respect of former industrial sites covered by the Total indemnity (receivable recognized in "Other non-current assets" for an amount of €46 million).

12.6. Restructuring provisions

Restructuring provisions are mainly in respect of restructuring of activities in France for €136 million and in the United States for €6 million.

12.7. Other provisions

Other provisions are mainly comprised of long-service awards of €50 million and provisions for removal of asbestos of €15 million.

13. Contingent liabilities

13.1. Environment

Arkema's business activities are subject to constantly changing local, national and international regulations on the environment and safety, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a risk of Arkema's liability being called upon, particularly in respect of cleanup of sites and industrial safety.

Taking account of the information available, agreements signed with Total, and the provisions for environmental contingencies recognized in the accounts, ARKEMA's management considers that the environmental liabilities identified at this point are valued and recognized in the financial statements to the best of their knowledge at these dates. However if laws, regulations or government policy in respect of environmental matters were to change, Arkema's obligations could change, which could lead to additional costs.

Clean-up of sites

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

Sites currently in operation:

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

In the light of (i) the uncertainties over the technical means to be implemented, (ii) potential issues that are unknown (iii) uncertainties over the actual time required for remediation compared with the estimated time (e.g. "pump and treat"), and (iv) potential changes in regulations, the possibility that the expenses that the Group will incur will be higher than the amounts covered by reserves cannot be excluded. These potential excess costs relate mainly to the sites in Calvert City (United States), Carling (France), Günzburg (Germany), Jarrie (France), Pierre-Bénite (France), Riverview (United States), Rotterdam (the Netherlands) and Saint-Auban (France) and could adversely affect the Group's business, results and financial condition.

Closed industrial sites (Former industrial sites):

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

13.2. Litigation, claims and proceedings in progress

13.2.1. Antitrust litigation

Proceedings carried out by the European Commission

During the first half of 2007, out of the four cases initiated by the European Commission (concerning heat stabilizers, plasticizers and alcohols, sodium chlorate and solvents) the European Commission informed Arkema that it was abandoning the two in respect of plasticizers and alcohols and solvents. Furthermore, on July 31, 2007, Arkema received a Statement of Objections in respect of sodium chlorate. No particular developments arose on the heat stabilizers' case during the period.

Similarly, the cases resulting from Arkema France's appeals to the European Court of First Instance in respect of the European Commission's decisions in the monochloracetic acid, hydrogen peroxide and methacrylates cases are still pending before the court.

These various events did not cause any changes to be made to the overall provision recognized at December 31, 2006

Proceedings in the United States and Canada

In the class action lawsuits initiated in the United States by direct purchasers of plastic additives against Arkema Inc. and other producers of plastics additives alleging violation of U.S. antitrust laws, the trial court has certified several "sub-classes" composed of purchasers of different categories of plastic additives products. Arkema Inc. has appealed this class certification decision.

Similarly, during the first half of 2007, in the class actions initiated in the U.S against Arkema Inc., Arkema France, alleging violations of U.S. antitrust laws, the district court certified a single class of direct purchasers of hydrogen peroxide and persalts. Arkema Inc and Arkema France have also appealed that class certification decision.

No notable developments arose in the first half of 2007 with respect to Arkema Inc. in the grand jury investigations initiated by the Antitrust Division of the Department of Justice regarding hydrogen peroxide and polymethyl methacrylate. Similarly, for the same period, no notable developments occurred with respect to Arkema Inc. or Arkema France in the respective class action civil lawsuits filed by: (a) indirect purchasers of hydrogen peroxide; (b) indirect purchasers of plastic additives; (c) and direct and indirect purchasers of methyl methacrylate and polymethyl methacrylate, against Arkema Inc or Arkema France, in the United States and Canada. There have also been no notable

developments in the cases filed in the United States against Arkema Inc. or Arkema France by direct purchasers who have "opted out" of the class action lawsuits in the plastics additives and hydrogen peroxide matters.

13.2.2 Occupational illness

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

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

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

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

13.2.3 Other litigation and claims and contingent liabilities

- Arkema France

- During the first half of 2007, no notable developments arose in respect of either the litigation with Gasco relating to its request for damages for an alleged breach of contract and breach of an exclusivity agreement, or the contingent liability relating to the supply by Arkema France of various products for the coating of items used in sanitary treatment equipment.

- During the same period, Arkema France was sued by the liquidator appointed for a company called Pyrénées Transport, and two ex-shareholders of this company, for a total amount of €1.7 million.

The plaintiffs maintain that Arkema France made the recovery of Pyrénées Transport from its court-administered receivership pronounced in July 2001 impossible by ceasing all commercial relations with this company some time afterwards.

- CECA

The litigation between Intradis and CECA, under which the former company is seeking to have CECA rendered liable in the matter of the pollution of a site acquired by Intradis, did not undergo any particular developments in the first half of 2007. The companies are awaiting the judgment of the Administrative Appeals Court of Douai to which Intradis appealed.

- Arkema Inc

In May of 2007, the U.S. Internal Revenue Service ("IRS") closed its investigation into non-issuance of W-2 forms for certain foreign "immigrant" employees and the non-declaration of certain remuneration relating to stock option or stock purchase plans by certain U.S. affiliates of Total, S.A., which had included Arkema Inc. Arkema Inc. is not aware of any additional development in the investigation by the civil branch of the IRS, which investigation remains pending.

No notable developments arose in the first half of 2007 in the proceedings in progress with Norit Americas Inc following this company's acquisition of an active carbon production unit, or in the proceedings in respect of third party claims relating to exposure to asbestos or products containing asbestos or in the case brought by the family of an employee of a company called ETC who died during the delivery of an odorizing product.

14. Debt

Group net debt amounted to €198 million at the end of June 2007, taking account of cash and cash equivalents of €68 million; it is mainly denominated in euros and bears interest at variable rates.

The Group has a multi-currency syndicated credit facility in a maximum amount of €1,100 million, with a five-year duration, maturing on March 31, 2012, with a possible extension for an additional period of one year after this date. In February 2007 a request to extend the duration of the facility for an additional year was accepted by the lenders in an amount of €1,094 million.

The purpose of the credit facility is to finance, in the form of drawings and bank guarantees, the Group's general corporate purposes. The credit facility provides for prepayment in certain cases, including a change of control over Arkema; should this clause be triggered by a lender, it could lead to prepayment and cancellation of the commitments of such a lender. It also incorporates:

(i) information undertakings, including a representation pertaining to the continued validity and enforceability against the guarantors of the indemnities granted by Total S.A. and certain entities of Total as described in note 18 on off-balance sheet commitments,

(ii) standard undertakings for this type of agreement, including, undertakings relating, among other things, to certain restrictions in connection with (but not limited to) the granting of securities, the completion of merger or restructuring transactions, the sale or purchase of assets and the Group's debt. Depending on the case, such restrictions will not apply to ordinary operations or to transactions involving amounts below certain thresholds

(iii) a financial undertaking: ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested every six months) of less than 3.

At the end of June 2007, the average interest rate of the syndicated credit facility is approximately 4.1 % and the unused amount under the credit facility is €1,010 million;

14.1. Analysis of net debt by category

In millions of euros	31.12.2006	30.06.2007
Finance lease obligations	19	18
Bank loans	20	18
Other non-current debt	13	12
Non-current debt	**52**	**48**
Finance lease obligations	2	2
Syndicated credit facility	330	90
Other bank loans	108	119
Other current debt	3	7
Current debt	**443**	**218**
Debt	**495**	**266**
Cash and cash equivalents	(171)	(68)
Net debt	**324**	**198**

14.2. Analysis of debt by maturity

The breakdown of debt by maturity is as follows:

In millions of euros	31.12.2006	30.06.2007
2007	443	215
2008	16	15
2009	6	6
2010	5	5
2011	5	5
2012 and beyond	20	20
Total	**495**	**266**

Amounts maturing in 2007 include the current drawings under the syndicated credit facility for an amount of €90 million.

14.3. Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

In millions of euros	31.12.2006	30.06.2007
Euros	457	232
US Dollars	2	2
Chinese Yuan	17	18
Korean Won	8	6
Other	10	8
Total	**495**	**266**

15. Derivatives

15.1. Foreign currency risk

The Group's subsidiaries are exposed to transaction risks related to foreign currencies. Exchange rates can fluctuate between the time when the price is agreed with the customer or supplier and the date at which the transaction is settled. Group policy is to consider that a risk exists, and should thus be taken into account in the foreign currency position to be hedged, as soon as the event generating the risk is certain: this leads the Group to hedge, in almost all cases, its accounting foreign currency positions generated by sales and purchases. Conversely, the Group only rarely hedges forecast transaction flows.

Foreign currency risk is identified at subsidiary level, each of which hedges, in almost all cases, its net foreign currency positions with Arkema's central treasury department. Arkema's central treasury department manages foreign currency risk at Group level in an overall manner and thus covers a net foreign currency position. As a result, the conditions required under IAS 39 for application of hedge accounting are not met.

Hedging is mainly carried out through spot foreign currency transactions in the transaction currency. In certain subsidiaries ARKEMA uses derivative instruments, mainly forward purchases and sales of foreign currencies (in particular American dollars) with short maturities with a fair value close to zero.

In millions of euros	Notional amount at 31/12/06			Notional amount at 30/06/07		
	< 6 months	> 6 months and < 12 months	> 12 months	< 6 months	> 6 months and < 12 months	> 12 months
Forward purchases and sales of foreign currencies	208	_	_	366	_	_

15.2. Interest rate risk

The Group, in almost all cases, finances its business through the variable rate syndicated credit facility of €1,100 million available to it. ARKEMA has not entered into any interest rate derivatives.

15.3. Risk related to raw materials and energy

The prices of certain raw materials used by Arkema are highly volatile and their fluctuations lead to significant variations in cost of production of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its manufacturing processes, Arkema is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, Arkema can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.

The notional amounts and the fair values of these derivatives are presented below.

Swap contracts	Notional amount of contracts at 30.06.2006			Notional amount of contracts at 30.06.2007			Fair value of contracts (€ millions)	
	< 1 year	< 5 years and > 1 year	> 5 years	< 1 year	< 5 years et > 1 an	> 5 years	30.06.2007	30.06.2006
Aluminum (in tons)	925	675	-	600	-	-	Immaterial	0.02
Gas (in MMBTU)	-	-	-	550,000	-	-	(0.19)	-
Tin (in tons)	-	-	-	10	-	-	(0.02)	-
Naphtha (in tons)	-	-	-	2,000	-	-	0.05	-

When the conditions required under IAS 39 for application of hedge accounting are met, the raw materials derivatives used by the Group are designated as cash flow hedges.

At June 30, 2007, no hedging reserve has been recognized in shareholders equity in this respect because of the immaterial nature of the amounts in question. Furthermore, recognition in the balance sheet, at fair value, of derivatives that did not meet the criteria for hedge accounting did not have a material impact on the financial statements for the first half of 2007.

16. Related parties

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

In millions of euros	Equity accounted affiliates		Non-consolidated companies	
Transactions	30.06.2006	30.06.2007	30.06.2006	30.06.2007
Sales of goods	12	14	27	-
Other income	12	6	-	2
Purchases of goods and services	(39)	(49)	(23)	-
Other expenses (including cost of debt)	-	(7)	(5)	-
Balance sheet amounts resulting from transactions	31.12.2006	30.06.2007	31.12.2006	30.06.2007
Assets				
Accounts receivable	6	13	-	-
Financial receivables and other current assets	23	19	-	-
Liabilities				
Accounts payable	7	15	-	-
Debt and other creditors	-		-	-

NB: The new companies consolidated in 2007 are listed in “Scope of consolidation”.

17. Share-based payment

17.1. Stock options

In May 2007, the Board of Directors granted Arkema stock options to management and certain Group employees.

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

	2006 plan	2007 plan	
Date of Shareholders' meeting	May 10, 2006	May 10, 2006	
Date of Board of Directors meeting	July 4, 2006	May 14, 2007	
Minimum period until exercise	2 years	2 years	
Minimum period until sale	4 years	4 years	
Period of validity	8 years	8 years	
Exercise price	28.36	44.63	
Number of options			**Total**
In circulation at January 1, 2006	-	-	-
Granted	540 000	-	540 000
Cancelled	-	-	-
Exercised	-	-	-
In circulation at December 31, 2006	**540 000**	**-**	**540 000**
In circulation at January 1, 2007	540 000	-	540 000
Granted	-	600 000	600 000
Cancelled	-	-	-
Exercised	-	-	-
In circulation at June 30, 2007	**540 000**	**600 000**	**1 140 000**

17.2. Free share grant

In May 2007, the Board of Directors granted rights to free shares in Arkema to management and certain Group employees. The grant will only be definitive after a vesting period of 2 years as from the date of the Board of Directors meeting that decided on the grant and subject to meeting a performance criterion. Shares definitively granted will only be able to be sold after a conservation period of 2 years.

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

	2006 plan	2007 plan	
Date of Shareholders' meeting	May 10, 2006	May 10, 2006	
Date of Board of Directors meeting	July 4, 2006	May 14, 2007	
Vesting period	2 years	2 years	
Conservation period	2 years	2 years	
Number of free share grants			**Total**
In circulation at January 1, 2006	-	-	-
Granted	150 000	-	150 000
Cancelled	-	-	-
Exercised	-	-	-
In circulation at December 31, 2006	**150 000**	-	**150 000**
In circulation at January 1, 2007	150 000	-	150 000
Granted	-	125 000	125 000
Cancelled	-	-	-
Exercised	-	-	-
In circulation at June 30, 2007	**150 000**	**125 000**	**275 000**

17.3. Expense related to share-based payment

The amount of the expense recognized at June 30, 2007 in respect of share based payment was €2.6 million, broken down as follows:

- €1.1 million in respect of the stock option plans in progress
- €1.5 million in respect of the free share grant plans in progress

18. Off-balance sheet commitments

18.1. Commitments given

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

The main commitments given are summarized in the table below:

In millions of euros	31.12.2006	30.06.2007
Guarantees granted	121	68
Comfort letters	2	2
Share of partnership (EIG) liabilities	6	0
Contractual guarantees	10	23
Customs and excise guarantees	7	8
Total	**146**	**101**

The guarantees granted mainly concern bank guarantees granted in favor of local authorities and public bodies (state agencies, environmental agencies) in respect of environmental obligations or concerning classified sites and bank guarantees granted to secure the debt of partnership entities (amount net of the counter-guarantee issued by the partner to the extent of its interest in the partnership entity).

18.1.2. Contractual commitments

- *Irrevocable purchase commitments*

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

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

The total amount of the Group's financial commitments thus valued amounted to €853 million June 30, 2007 (see maturity schedule below):

In millions of euros	31.12.2006	30.06.2007
2007	221	157
2008	144	177
2009	120	128
2010	73	87
2011 until expiry of the contracts	289	304
Total	**847**	**853**

- *Lease commitments*

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

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

The change at June 30, 2007 mainly relates to the signature of the lease relating to the new head office.

	31.12.2006		30.06.2007	
In millions of euros	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2007	2	18	1	12
2008	3	16	3	23
2009	3	13	3	20
2010	3	9	3	17
2011 and beyond	17	64	17	93
Nominal value of future lease payments	**29**	**120**	**28**	**165**
Finance cost	8	NA	8	NA
Present value	**21**	NA	**20**	NA

NA: not applicable

18.1.3. Other commitments given

Warranties in respect of unrecorded liabilities granted

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

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted in the past by ARKEMA amounted to €58 million at December 31, 2006 and €73 million at June 30, 2007. These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

18.2. Commitments received

Commitments received from Total in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations granted in the context of the spin-off are described below.

18.2.1. The Indemnities extended by Total in respect of certain antitrust litigation concurrence

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to the Completion Date (or prior to March 7, 2006, as the case may be), Total S.A. has extended to Arkema S.A. and Elf Aquitaine, Inc. has extended to Arkema Finance France, a subsidiary of Total S.A., the share capital of which was transferred to Arkema S.A. in the Spin-Off of Arkema Businesses, the indemnities, the principal terms of which can be described as follows.

Subject-matter of the Indemnities

By an agreement dated March 15, 2006 (the *Arkema European Indemnity*), Total S.A. agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries) pursuant to a money judgment imposed by EU antitrust authorities, or by national antitrust authorities of a Member State of the European Union, for violations of antitrust laws relating to anticompetitive agreements, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries).

By an agreement dated March 15, 2006 (the *Arkema U.S. Indemnity*), Total S.A. also agreed to indemnify Arkema S.A. for 90% of (i) any payment due by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries) pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of a settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries) pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred in connection with such proceedings by Arkema S.A. or any of its subsidiaries (with the exception of Arkema Finance France and its subsidiaries).

In connection with the sale of Arkema Delaware, Inc. shares by Elf Aquitaine, Inc. to Arkema Finance France, Elf Aquitaine, Inc. agreed, in the agreement dated March 7, 2006 (the *Arkema Delaware Indemnity*), to indemnify Arkema Finance France for 90% of (i) any payment due by Arkema Finance France or any of its subsidiaries pursuant to a money judgment imposed by U.S. courts or antitrust authorities for violations occurring prior to March 7, 2006 of U.S. federal or state antitrust laws relating to anticompetitive agreements, or in respect of the settlement entered into in the context of such proceedings, (ii) any damages payable by Arkema Finance France or any of its subsidiaries pursuant to civil proceedings arising from the same facts which form the basis of a judgment referred to in (i), and (iii) certain expenses incurred by Arkema Finance France or any of its subsidiaries in connection with such proceedings.

Arkema Finance France has benefited from an indemnification of $8 million under the Arkema Delaware Indemnity. At June 30, 2007, the residual amount covered by this indemnity amounts to $885 million.

Finally, Total S.A. extended to Arkema S.A. a supplemental indemnity dated March 15, 2006 (the *Supplemental Arkema Delaware Indemnity*) covering 90% of sums payable by Arkema Finance France or any of its subsidiaries in respect of litigation relating to anticompetitive agreements in the United States in excess of the maximum amount covered by the Arkema Delaware Indemnity.

The Arkema European Indemnity, the Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are hereinafter referred to together as the *Indemnities* and individually as an *Indemnity*.

Liabilities not covered by the Indemnities

The following liabilities are not covered by the Indemnities:

- liabilities arising from facts occurring after the Completion Date in the case of the Arkema European Indemnity and the Arkema U.S. Indemnity, or after March 7, 2006 in the case of the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity (including, in case of liabilities arising from facts occurring both before and after the relevant date, the portion of the liability relating to the period after the Completion Date or after March 7, 2006, as the case may be);
- liabilities arising from violations of antitrust laws other than those prohibiting anticompetitive agreements; and
- liabilities imposed by authorities outside the European Union (in the case of the Arkema European Indemnity) or the United States (in the case of the other Indemnities).

Participation of Total in the management of litigation covered by the Indemnities

The Indemnities provide for the participation by Total S.A. or Elf Aquitaine, Inc., as the case may be, in the management of litigation covered by the Indemnities, which involves a certain number of obligations on the part of Arkema S.A. and Arkema Finance France, in particular the obligation to notify Total S.A. or Elf Aquitaine, Inc., as the case may be, of certain events occurring in the context of proceedings covered by the Indemnities and act in accordance with the advice and instructions of Total S.A. or Elf Aquitaine, Inc, as the case may be, relating to such proceedings. Total S.A. and Elf Aquitaine, Inc., as the case may be, also have the right to assume sole control of the defence of the

Group entity in question. Failure by Arkema S.A. or Arkema Finance France to comply with these obligations can result, in certain circumstances, in the automatic termination of the Indemnity, as described below.

Amount of the indemnification

The Arkema European Indemnity, whose deductible of €176.5 million has been exceeded, gave rise to indemnification of €171 million being received from Total SA. The Arkema U.S. Indemnity, the Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity do not have a deductible.

Cross-indemnities of Arkema S.A. and Arkema Inc.

Arkema S.A. and Arkema Inc. have agreed to indemnify Total S.A. in respect of any liability covered by the Indemnities but which is borne, not by a Group entity but by Total S.A. or one of its subsidiaries due to facts attributable to a Group company, whether the liability of Total S.A. or of its subsidiaries is determined to be direct or derivative, exclusive or joint and several, relative to the liability of the Group entity to which the facts are attributable.

However, this cross-indemnity by Arkema S.A. and Arkema Inc. will be reduced by the indemnity which would have been paid by Total S.A. or Elf Aquitaine, Inc., as the case may be, under the relevant Indemnity if the liability had been borne by a Group company. Consequently, if the cross-indemnity of Arkema S.A. and Arkema Inc. is triggered, Arkema S.A. or Arkema Inc., as the case may be, would only be obligated to indemnify Total S.A. for 10% of the liabilities borne by Total S.A. or one of its subsidiaries (in the case of the Arkema European Indemnity, this 10% relates to the amount, if any, that exceed the deductible).

Term of the indemnities

The Arkema European Indemnity and the Arkema U.S. Indemnity are valid for a term of 10 years from the Completion Date. The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity are valid for a term of 10 years from March 7, 2006.

The Arkema S.A. cross-indemnity is valid for a term of 10 years from the Completion Date.

The Arkema Inc. cross-indemnity is valid for a term of 10 years from March 7, 2006.

Termination of the Indemnities

Indemnities shall terminate in the event that a natural person or legal entity, acting alone or in concert with others, acquires, directly or indirectly, more than one third of the voting rights of Arkema S.A. (voting rights are subject to a ceiling of 10% — and 20% in the case of double voting rights — unless a purchaser acquires at least two thirds of the Total number of Arkema S.A. shares in a public transaction targeting all Arkema S.A. shares) or if the Group transfers, directly or indirectly, in one or several times, to the same third party or to several third parties acting in concert, assets representing more than 50% of the Group's "enterprise value" (as defined in the Indemnities) at the time of the relevant transfer.

The Arkema European Indemnity and the Arkema U.S. Indemnity will terminate if Arkema S.A. loses control of Arkema France.

The Arkema Delaware Indemnity and the Supplemental Arkema Delaware Indemnity will terminate if Arkema S.A. loses control of Arkema Finance France, or if Arkema Finance France loses control of Arkema Delaware Inc.

Finally, the Indemnities will terminate in the event of a material breach by the Group of its obligations under the relevant Indemnity if such breach has remained uncured for 30 days after notice by the indemnifying party demanding its cure.

The Indemnities provide that, upon the occurrence of a termination event, the only liabilities of Group companies that will remain covered by the Indemnities are those, if any, which (i) fell due prior to the termination event and (ii) were notified to Total S.A. or to Elf Aquitaine, Inc., as the case may be, prior to the termination event.

18.2.2. 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 with Arkema S.A. or its subsidiaries into indemnity and service agreements the principal terms of which can be described as follows:

- Agreement relating to Former Industrial Sites located in France

Arkema France has entered into various agreements with Total companies and in particular Retia. Pursuant to these agreements, the Total companies concerned, in consideration of a flat fee already paid by Arkema France, assume all the investigation, restoration and monitoring obligations that could be imposed on Arkema France by the competent administrative authorities in respect of industrial sites located in France the operation of which, for the most part, has ceased. To this end, the agreements provide, in particular, (i) in the majority of cases, for the transfer of ownership of the sites concerned by Arkema France to the Total companies concerned, (ii) for the Total companies concerned to be substituted for Arkema France in the capacity of last operator of those sites whenever that is possible, (iii) for the performance by the Total companies concerned of the restoration obligations of the sites in question in accordance with the applicable rules and (iv) for the indemnity by the Total companies in respect of the financial consequences of claims which could be brought against Arkema France by reason of the impact of those sites on the environment.

In most cases, Arkema France retains responsibility for the consequences concerning employees and former employees of Arkema France as well as third parties, in terms of public health or occupational pathologies, of the industrial activities formerly carried out by Arkema France and its predecessors on the sites which are the subject of the aforementioned agreements.

- Agreement relating to the Former Industrial Site at Rieme in Belgium

On December 30, 2005, Arkema France sold all of the shares that it held in the share capital of the Belgian company Resilium Belgium to the company Septentrion Participations, a subsidiary of Total S.A.

The company Resilium Belgium is the owner of a Former Industrial Site located at Rieme in Belgium.

Having regard to the future costs that might arise from the restoration of the Former Industrial at Rieme, Arkema France has paid the company Septentrion Participations financial compensation. In exchange, Septentrion Participations has undertaken to assume all restoration obligations in respect of the site at Rieme and to indemnify Arkema France against all claims, actions and complaints relating to Resilium Belgium, its assets and its liabilities.

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

In March 2006, Arkema Finance France consummated the acquisition from Elf Aquitaine Inc. and Arkema France of Arkema Delaware Inc., a holding company of most of the Group's operations in the United States. The negotiated terms of the stock purchase agreement among Elf Aquitaine Inc., Legacy Sites Services LLC and Arkema Finance France, dated March 7, 2006 (the Arkema Delaware Main SPA) required Elf Aquitaine Inc. to use $270 million to capitalize a new subsidiary, Legacy Sites Services LLC that will perform 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 wastes shipments from the sites other than currently operated sites. In exchange for this indemnification, Arkema Finance France agreed to grant to Legacy Sites Services LLC control over remediation activities and the defence of claims relating to contamination liabilities at these facilities and sites, subject to certain exceptions and exclusions.

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 and 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 Finance France has waived any claims against Legacy Sites Services LLC, Total S.A. or their respective subsidiaries in respect of the sites not covered by the indemnity.

The Legacy Sites 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 amounted to $16 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.

18.2.3. Tax indemnity granted by Total S.A

In order to cover potential tax risks related to the business activities transferred by the Group to Total or from the reorganization in connection with the Spin-Off of Arkema's Businesses, Total S.A. has granted an indemnity to Arkema S.A., the main terms of which can be described as follows.

Purpose of the tax indemnity

Under the terms of an agreement dated March 15, 2006 (the *Tax Indemnity*), Total S.A. has undertaken to indemnify Arkema S.A. for (i) liabilities arising from any tax, customs or levies not covered by reserves, for which the Group would remain liable, when such liabilities arise from (x) activities in the petrochemicals and specialties sectors that were transferred by the Group to Total and the triggering event of which occurred prior to the date of such transfer; or (y) the reorganization undertaken for the purpose of spinning off Arkema's Businesses from Total's Chemicals sector, including, in particular, the Elf Spin-Off, the Total Spin-Off, the Merger and certain prior securities reclassification transactions; (ii) interest, fines, penalties, additional charges or other costs related thereto; and (iii) provided that Total S.A. has given its prior consent, the expenses incurred by Arkema S.A. or the relevant Group company in connection with such liabilities.

The Tax Indemnity, however, does not cover tax reassessments in connection with Arkema's Businesses (with the exception of reassessments that may affect Arkema UK, as indicated below) and is subject to the specific terms described hereafter.

Involvement of Total S.A. in the management of litigation covered by the Tax Indemnity

The Tax Indemnity provides for a procedure pursuant to which Arkema S.A. must involve Total S.A. in the management of the tax audits or litigation relating to the tax liabilities covered by the Tax Indemnity. In particular, this procedure entails the obligation to notify Total S.A. of any event that is likely to give rise to a liability covered by the Tax Indemnity and to comply with the advice and instructions of Total S.A. in defending the interests of the relevant Group company. In the event of unresolved disagreements on the strategy, means, method or type of such defence, the final decision will be taken by Total S.A.. Arkema S.A.'s failure to comply with its obligations may result in automatic termination of the Tax Indemnity.

Amount of the indemnity

The Tax Indemnity includes no deductible, trigger threshold or cap.

In the event that a liability cannot be clearly connected to the petrochemicals and specialties sector transferred by the Group to Total in relation to Arkema's Businesses, Arkema S.A. and Total S.A. will each bear 50% of the said liability.

Special provisions applying to Group companies that were included in the Total S.A. French tax group (groupe d'intégration fiscale de Total S.A.)

The tax sharing agreements (conventions d'intégration fiscale) between Total S.A. and the Group companies that were included in the Total S.A. French tax group provide that these companies will be required to pay to Total S.A. any additional taxes and penalties that may be due by Total S.A., as the head company of the tax group, where they relate to the taxable income of such companies during the time they were included in the tax group.

However, these companies will be exempt from such payments to Total S.A. with respect to tax liabilities relating to their taxable income for fiscal years during which they were included in the Total S.A. tax group, if such liabilities are covered by the Tax Indemnity. In exchange, these companies waive the indemnity to which they would have been entitled pursuant to the Tax Indemnity.

Furthermore, in the event of a tax reassessment of a Group company relating to Arkema's Businesses (which are not covered by the Tax Indemnity) for a fiscal year during which such company was included in the Total S.A. tax group, such company shall be liable to pay Total S.A. a contribution calculated on the basis of the net amount of the reassessment after the following allowances:

- if, following this reassessment, the Group Company has realized a profit in respect of the fiscal year to which the reassessment applies, a deductible of €3 million per company and per fiscal year;
- if, following this reassessment, the Group Company has relished a loss in respect of the fiscal year to which the reassessment applies, an allowance equal to the amount of the losses generated by such company with respect to Arkema's Businesses, as determined by Arkema S.A. and Total S.A.

Special provisions applying to certain foreign companies of the Group

No recourse shall be taken against Arkema Deutschland in respect of any tax reassessments applying to the years during which it was included in the German tax groups formed by Total Mineralöl und Chemie and Total Deutschland.

Tax liabilities arising from the reorganization undertaken for purposes of separating Arkema's Businesses from Total's Chemicals sector in the Netherlands, which may have been incurred by Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group of which Arkema North Europe B.V. is the parent company are excluded from the Tax Indemnity. Any other tax liabilities arising from reassessments that may be applied to Atotech B.V. and Atotech Nederland B.V. as a result of the Dutch tax group will be assumed by these companies, which remain under Total S.A.'s control.

Arkema UK will benefit from a UK corporation tax indemnity covering any tax reassessments against it relating to Arkema's Businesses. This indemnity will be limited to the amount of losses generated by the Arkema Businesses that have been transferred by Arkema UK as result of the group relief instituted by Total Holdings UK for corporation tax purposes in the United Kingdom.

Payment of the indemnity

The liabilities covered by the Tax Indemnity will give rise to an indemnification payment only if they are definitely determined by an enforceable decision that is not subject to appeal.

Duration of the Tax Indemnity

The Tax Indemnity shall expire at the end of two months following the statute of limitations effectively applicable to the tax liabilities covered by the Tax Indemnity.

Beneficiary of the Tax Indemnity

The Tax Indemnity is only for the benefit of Arkema S.A. or, as the case may be, Arkema France, if Arkema S.A. is merged into Arkema France.

18.2.4. Other indemnities given in the context of the Spin-Off of Arkema's Businesses

As part of the Total Spin-Off Agreement, Total S.A. and Arkema S.A. made certain representations and warranties, some of them in connection with the separation of ARKEMA from Total.

The agreement states that Total S.A. grants no indemnities, other than the indemnities and agreements entered into by the Total entities that are described in this paragraph, particularly with respect to the assets and the business activities of all ARKEMA entities, or the liabilities or obligations associated with such entities or activities, which Arkema S.A. declares that it is aware of and for which Arkema S.A. shall be responsible, including in the case of the appearance of any item that is not known as of the date of the Total Spin-Off Agreement, or of an increase in the amount of the aforesaid liabilities or obligations. Arkema S.A. releases Total S.A. from any such claim, except in the case of New Claims as defined below.

Representations and warranties relating to information exchanged in preparing the Spin-off of Arkema's Businesses

Total S.A. and Arkema S.A. have made mutual representations and warranties with respect to the accuracy and completeness of the information exchanged by the two companies in preparing the Spin-Off of Arkema's Businesses.

Representations and warranties relating to potential claims

After conducting all necessary and customary due diligence, Arkema S.A. has declared, recognized and warranted that, to its knowledge and to the knowledge of the ARKEMA entities, as of the date of the Total Spin-Off Agreement, there were no grounds for claims, actions or complaints by any ARKEMA entity or by any one of its de facto or de jure directors, corporate officers or executives against any Total entity or any one of its de facto or de jure employees, directors, corporate officers or executives (a *Total Entity*). The claims, actions or complaints mentioned above are hereinafter referred to as the *Arkema Claim(s).*

Consequently, Arkema S.A. has undertook to indemnify Total S.A. and hold it harmless for the consequences of any Arkema Claim against any Total Entity.

Arkema S.A. has waived all Arkema Claims other than New Claims, as defined below.

Arkema S.A.'s indemnity and the waiver mentioned in the two preceding paragraphs do not apply to any potential Arkema Claim that would be based on (i) events attributable to a Total Entity or (ii) grounds of which no ARKEMA entity has any knowledge as of the date of the Total Spin-Off agreement, after completing the necessary and customary

due diligences, but only if and insofar as such events or grounds do not relate solely to the fact that the ARKEMA companies belonged to Total prior to the Completion Date, or relate solely to the exercise of corporate offices or management functions by Total Entities within ARKEMA (the *New Claim(s)*).

At the same time, Total S.A. has declared, recognized and warranted that to its knowledge and to the knowledge of the Total entities, as of the date of the Total Spin-Off agreement, there were no grounds for claims, actions or complaints by any Total entity or by any one of its de facto or de jure directors, corporate officers or executives against any ARKEMA entity or any one of its de facto or de jure employees, directors, corporate officers or executives (the *ARKEMA Entity(ies)*), arising from the ownership or operation by ARKEMA entities of the companies or businesses acquired by Total before the Completion Date (the *Total Claim(s)*).

Total S.A. has declared, recognized and warranted that it had no Total Claim(s) arising from the exercise of corporate offices or functions by Arkema Entities within Total, and has waived all Total Claims on its part.

Consequently, Total S.A. has agreed to indemnify and hold harmless Arkema S.A. for the consequences of any Total Claim against any ARKEMA Entity.

Duration of the indemnities

No indemnity given in the Total Spin-Off agreement will survive after 10 years from the Completion Date.

In addition, the Arkema Delaware Main SPA provides that Arkema Finance France, which became a subsidiary of Arkema S.A. on the Completion Date, will indemnify Elf Aquitaine, Inc., a subsidiary of Total S.A., for any taxes that may result from a breach of representations or covenants under the Arkema Delaware Main SPA or the *Tax Sharing Agreement* dated January 1, 2001, among Total Holdings USA, Inc. and certain of its subsidiaries, by Arkema Finance France, Arkema Delaware Inc., or certain of the subsidiaries of Arkema Delaware Inc. Elf Aquitaine, Inc. will likewise indemnify Arkema Finance France for any taxes resulting from such breaches by Elf Aquitaine, Inc. Moreover, the Arkema Delaware Main SPA provides that Elf Aquitaine Inc. and its US subsidiaries, on the one hand, and Arkema Delaware Inc. with certain of its US subsidiaries, on the other hand, will each be responsible for their share of US federal and state income taxes before March 7, 2006, as computed under the Tax Sharing Agreement, because for this period Elf Aquitaine, Inc. files a consolidated US federal income tax return that includes Arkema Delaware Inc. and certain of its subsidiaries and pays the taxes due in respect of the consolidated US federal income tax return. Arkema Delaware Inc. and certain of its subsidiaries will be required to pay such amounts to Elf Aquitaine, Inc. For periods after March 7, 2006, Arkema Delaware, Inc. and its US subsidiaries will be responsible to file income tax returns separately from Elf Aquitaine, Inc. and separately to make all tax payments in respect of these returns.

With the exception of the obligations or indemnities described in this section, Total has not given to ARKEMA other material commitments or indemnities of the kind referred to in the first paragraph of this section "Commitments received from Total in 2006”.

19. Subsequent events

- Acquisition of Coatex

On July 3, 2007, Arkema announced its intention to acquire Coatex, a company currently owned by the Omya group. This acquisition is being made in the context of the strategy of refocusing Arkema’s portfolio of businesses. Coatex’s businesses present strong synergies with those of Arkema. This operation remains subject to the approval of the competition authorities.

Coatex, whose head office and main site are at Genay, near Lyon, also has industrial sites in Europe, the United States and Asia. It employs 300 people worldwide and had sales of €150 million in 2006.

SCOPE OF CONSOLIDATION AT JUNE 30, 2007

Companies consolidated for the first time in 2007 are marked with an asterisk (*).

Companies sold in 2007 that formed part of discontinued operations in 2006 are marked with two asterisks (**).

Arkema Wyoming Holdings Inc and Wyoming Holdings Delaware Inc were liquidated.

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

Akishima Chemical Industries Co.ltd	Japan	100.00	FC
Alphacan BV	Netherlands	100.00	FC
Alphacan Espana SA	Spain	99.84	FC
Alphacan Omniplast GmbH	Germany	100.00	FC
Alphacan Perfiles SAU	Spain	99.84	FC
Alphacan SA	France	100.00	FC
Alphacan Soveplast	France	100.00	FC
Alphacan SPA	Italy	100.00	FC
Altuglas International Services SAS	France	100.00	FC
Altuglas International SPA	Italy	100.00	FC
Altuglas International BV	Netherlands	100.00	FC
Altuglas International Mexico Inc	United States	100.00	FC
Altuglas International S.A.	France	100.00	FC
Altuglas International UK Ltd	United Kingdom	100.00	FC
Altumax Deutschland GmbH	Germany	100.00	FC
Altumax Europe SAS	France	100.00	FC
American Acryl LP	United States	50.00	EM
American Acryl NA LLC	United States	50.00	EM
Anning Decco Fine Chemical Co. Ltd. **	China	55.00	FC
Arkema	South Korea	100.00	FC
Arkema SA	France	100.00	FC
Arkema Ameriques SAS (ex Arkema Finance France)	France	100,00	FC
Arkema Asie (ex Sofia)	France	100,00	FC
Arkema Beijing Chemicals Co. Ltd	China	100.00	FC
Arkema BV	Netherlands	100.00	FC
Arkema Canada Inc	Canada	100.00	FC
Arkema Catalyst India Ltd	India	100.00	FC
Arkema Changshu Chemicals Co Ltd	China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd	China	100.00	FC
Arkema Changshu Haike Chemicals *	China	49.00	FC

Arkema China Investment Co. Ltd	China	100.00	FC
Arkema Company Ltd	Hong-Kong	100.00	FC
Arkema Delaware Inc.	United States	100.00	FC
Arkema Europe (ex Mimosa SAS)	France	100,00	FC
Arkema Europe Holdings BV	Netherlands	100.00	FC
Arkema Finance Nederland BV	Netherlands	100.00	FC
Arkema France	France	100.00	FC
Arkema GmbH	Germany	100.00	FC
Arkema Guangzhou Chemicals Co. Ltd	China	100.00	FC
Arkema Holding Ltd	United Kingdom	100.00	FC
Arkema Holland Holding BV	Netherlands	100.00	FC
Arkema Inc.	United States	100.00	FC
Arkema Iniciadores SA de CV	Mexico	100.00	FC
Arkema KK	Japan	100.00	FC
Arkema Ltd (UK)	United Kingdom	100.00	FC
Arkema Ltd (Vietnam)	Vietnam	100.00	FC
Arkema North Europe BV	Netherlands	100.00	FC
Arkema Peroxides India Private Limited	India	100.00	FC
Arkema Pte Ltd	Singapore	100.00	FC
Arkema Pty Ltd	Australia	100.00	FC
Arkema Quimica ltda	Brazil	100.00	FC
Arkema Quimica SA	Spain	99.84	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï	China	66.67	FC
Arkema RE	Ireland	100.00	FC
Arkema Rotterdam BV	Netherlands	100.00	FC
Arkema Shanghai Distribution	China	100.00	FC
Arkema sp Z.o.o	Poland	100.00	FC
Arkema SRL	Italy	100.00	FC
Arkema Vlissingen BV	Netherlands	100.00	FC
Arkema Yoshitomi Ltd	Japan	49.00	EM
Ceca Italiana SRL	Italy	100.00	FC
Ceca SA	France	100.00	FC
Cerexagri **	France	100.00	FC
Cerexagri B.V. **	Netherlands	100.00	FC
Cerexagri Delaware Inc. **	USA	100.00	FC
Cerexagri Iberica SA Unipersonal **	Spain	99.84	FC

Cerexagri Inc. **	USA	100.00	FC
Cerexagri Italia SRL **	Italy	100.00	FC
Cerexagri Ziraat VE Kimya Sanayi Ve Ticaret Ltd Sirketi **	Turkey	100.00	FC
Delaware Chemicals Corporation	United States	100.00	FC
Desarollo Quimica Industrial SA **	Spain	100.00	FC
Dorlyl snc	France	100.00	FC
Febex SA	Switzerland	96.77	FC
Luperox Iniciadores SA de CV	Mexico	100.00	FC
Maquiladora General de Matamoros sa de cv	Mexico	100.00	FC
Michelet Finance, Inc.	United States	100.00	FC
MLPC International	France	100.00	FC
Oxochimie	France	50.00	EM
Ozark Mahoning Company	United States	100.00	FC
Plasgom	Spain	99.84	FC
Plasticos Altumax SA	Spain	100.00	FC
Qatar Vinyl Company Limited	Qatar	12.90	EM
Résil Belgium	Belgium	100.00	FC
Resilia SRL	Italy	100.00	FC
Resinoplast	France	100.00	FC
Safepack Products Ltd **	Israel	100.00	FC
SEKI Arkema	South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co, Ltd	China	91.07	FC
Stannica LLC	United States	40.00	EM
Sunclear	France	100.00	FC
Turkish Products, Inc.	United States	100.00	FC
Viking chemical company	United States	100.00	FC
Vinilis	Spain	35.00	EM
Vinylberre	France	65.05	FC
Vinylfos	France	79.00	FC

NB: FC: Full consolidation EM: Equity method

Declaration of the person responsIble FOR THE HALF-YEAR FINANCIAL REPORT

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30, 2007 have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the company and all its consolidated companies, and that the half-year activity report includes a fair review of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the major transactions between related parties, and a description of the main risks and uncertainties for the remaining six months of the financial year.

Thierry Le Hénaff

Chairman and CEO

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

Arkema, S.A.

Period from January 1st to June 30, 2007

Statutory Auditors' Review report on the first half-year financial information for 2007 (free translation of the French original)

To the shareholders,

In our capacity of statutory auditors of ARKEMA S.A. and in accordance with the requirements of article L. 232-7 of the French Commercial Law (Code de commerce), we hereby report to you on: :

- the review of the accompanying condensed half-year consolidated financial statements of Arkema for the period January 1st to June 30, 2007;
- the verification of information contained in the half-year management report.

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

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

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

Without qualifying the conclusion expressed above, we draw attention to note 8, "Changes in accounting policies and reclassifications to the published consolidated financial statements", and to the information mentioned below the income statement, which set out the changes in accounting policies performed over the period.

In accordance with professional standards applicable in France, we have also verified the information given in the half-year activity report, commenting the condensed half-year consolidated financial statements subject of our review.

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

Paris la Défense, August 8th, 2007

The Statutory Auditors

French original signed by

KPMG AUDIT
Département de KPMG S.A.

ERNST & YOUNG Audit

Bertrand Desbarrières — Jean-Louis Caulier — François Carrega