Société anonyme au capital de 618 438 270 euros
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HALF-YEAR FINANCIAL REPORT

First half ended June 30th 2011

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This is a free translation in English of Arkema's half-year financial report for the 1st half ended June 30th 2011 issued in French and it is provided solely for the convenience of English speaking readers.

I- HALF-YEAR ACTIVITY REPORT

I. HIGHLIGHTS OF THE FIRST HALF OF THE YEAR

1 Growth projects

In March 2011, Arkema successfully started up its new Kynar® PVDF fluoropolymer production plant on schedule at the Changsu site in China. In accordance with the Group's growth strategy in emerging countries, this new plant dedicated to production of the Kynar® PDVF polymer and the VF2 (vinylidene fluoride) monomer strengthens Arkema's position in Asia. It will serve the traditional markets for Kynar® (high-performance industrial coatings, oil and gas, chemical engineering) and new high-growth markets (photovoltaics, lithium-ion batteries).

2 Other highlights

In April 2011, the European Commission authorized the French State to provide a 40% subsidy to finance Technological Risk Prevention Plans (*Plans de Prévention des Risques Technologiques* - PPRT). This will enable Arkema to finalize the study of a reorganization of its chlorochemicals and hydrogen peroxide activities on the Jarrie site in the Isère region of France.

On June 1st 2011, the Arkema Group subsidiary Alphacan completed the divestment of its pipelines business in France to Pipelife France, a subsidiary of the Pipelife Group. This activity represents annual sales of some €45 million, with its industrial operations located at the Gaillon site in the Eure region of France. This transaction is part of Alphacan's ongoing strategy to refocus its business on PVC Profiles in France, in order to develop specialty activities with higher added value.

In June 2011, Arkema and Canada Fluorspar Inc. (CFI) signed a memorandum of understanding for joint development by the two groups of a fluorspar mine in St. Lawrence (Newfoundland, Canada). Fluorspar is the mineral used in production of hydrofluoric acid, the main raw material for the production of refrigerant gas and fluoropolymers. Arkema will progressively acquire a 19.9% stake in CFI, with an initial investment of CDN 15.5 million. The first stage of this operation took place at 30 June, raising Arkema's ownership to 11%. Subsequently, the two groups will jointly develop and run the St. Lawrence mine, through a 50/50 joint venture expected to start operations in early 2013. Arkema will then make a second investment of CDN 68 million.
Arkema will thus benefit from long-term, competitive access to a key commodity for its North American fluorochemicals operations.

II. ANALYSIS OF FINANCIAL RESULTS FOR FIRST HALF 2011

(In millions of euros)	1st half 2011	1st half 2010	Variations in %
Sales	**3,506**	**2,913**	**+20%**
EBITDA	**607**	**378**	**+61%**
Recurring operating income	**464**	**236**	**+97%**
Other income and expenses	(10)	(4)	
Operating income	**454**	**232**	**+96%**
Adjusted net income	**344**	**158**	**x2.2**
Net income – Group share	**335**	**159**	**x2.1**
CAPEX courant	**128**	**113**	**13%**
Net debt	**265** *(06/30/11)*	**94** *(12/31/10)*	**x2.8**

Sales

ARKEMA's sales in 1st half 2011 reached €3,506 million, 20.4% up over 1st half 2010. The +3.0% volume effect includes a +4.9% increase in volume for Industrial Chemicals and Performance Products overall, and a reduction in volume for Vinyl Products primarily related to the impact of the major maintenance turnaround at Lavera and a softer activity in June related to the announcement of lower ethylene prices. The +18.2% price effect translates the Group's ability to pass on raw material price rises to its sales prices. The +1.1% scope of business effect includes a positive contribution from the acrylics assets purchased in North America and a negative impact from the sale of the PVC pipes business in France. The -1.9% currency translation effect essentially reflects the strengthening of the euro versus the US dollar.

EBITDA

EBITDA was up 61% compared to 1st half 2010, reaching €607 million, a new historical high for the Group for a half-year period.

This excellent performance is the result of the many progress initiatives underway across the Group's activities. Above all it illustrates the excellent repositioning of the various business lines in fast-growing markets (photovoltaics, animal nutrition, water treatment, electronics, etc.), our growing positions in Asia in particular with the new production units in China in the fluorochemicals sector (HFC-125 gas unit started in April 2010 and Kynar® PVDF polymer unit started in March 2011), the increasing contribution of innovations in sustainable development solutions, and finally ARKEMA's ability to pass on rises in raw material costs to its sales prices.

EBITDA margin reached a new record level at 17.3% of sales against 13.0% in 1st half 2010, with Industrial Chemicals and Performance Products overall achieving an EBITDA margin of 21.8%.

Operating income

Operating income reached €454 million against €232 million in 1st half 2010. It includes €143 million amortization and -€10 million other income and expenses. In 1st half 2010 amortization amounted to €142 million, while other income and expenses stood at -€4 million.

Net income Group share

Net income Group share was multiplied by 2.1, rising to €335 million. It includes a €113 million tax charge representing 24.4% of the recurring operating income.

Segment performance

Industrial Chemicals sales rose to €1,889 million against €1,515 million in 1st half 2010, a 25% increase sustained by growing volumes and significant price increases above raw material cost rises across all product lines.

EBITDA rose by 67% to €454 million against €272 million in 1st half 2010. Beyond the improvement in margins for acrylic monomers that benefited from tight supply/demand balance conditions, the significant improvement in EBITDA reflects sustained demand across the segment's traditional markets (refrigeration for Fluorochemicals, animal nutrition, oil, gas and petrochemicals for Thiochemicals, automotive and consumer goods for PMMA, coatings and superabsorbents for the acrylics activities), a fast increase in PMMA sales for the LED television market, and the success of many growth projects. In particular, the new HFC-125 fluorogas production unit started in China in April 2010 and the integration of the acrylics activities purchased in North America made a major contribution to the segment's EBITDA growth.

EBITDA margin reached a record high of 24.0% of sales, against 18.0% in 1st half 2010.

Performance Products sales grew by 19% to €976 million against €820 million in 1st half 2010. This increase was sustained by the major price increases across all product lines, the product portfolio shifting toward higher added value applications, and a rise in volumes in particular in Technical Polymers and in Asia.

EBITDA stood at €172 million, 32% up on 1st half 2010. This improvement reflects the segment's strong growth momentum with both the development of new applications in many sectors related to sustainable development (photovoltaics, high performance biopolymers for automotive, filtration, etc.) and a greater presence in Asia, in particular with the rapid ramp-up of the Kynar® PVDF unit started in China in March 2011.

EBITDA margin reached 17.6% against 15.9% in 1st half 2010.

Vinyl Products sales stood at €631 million against €569 million in 1st half 2010. In a challenging European construction market, volumes decreased. They were limited by the five-yearly maintenance turnaround at Lavera and by softer demand in June related to the announcement of a drop in ethylene prices. PVC and caustic soda prices were increased, offsetting the rise in electricity and ethylene costs, but unit margins remained low.

EBITDA stood at €2 million against -€8 million in 1st half 2010. Improvement in competitiveness and refocusing on the more profitable activities remain the top priorities of this segment. Accordingly, Arkema finalized in June the divestment of the PVC pipes business in France, which accounted for €45 million sales.

Finally, Qatar Vinyl Company, in which ARKEMA has a 13% shareholding, once again reported an excellent performance, with a contribution of €9 million equity income.

Cash flow

Free cash flow at June 30th 2011 was negative at €130 million. It includes a €431 million increase in working capital. The traditional increase in working capital in the first half of the year was intensified this year by the very strong surge in sales combined with the significant increase in sales prices and raw material costs, as well as a build-up of some inventories in the run-up to the maintenance turnarounds planned for later in the year. The working capital on sales ratio objective for the year of below 15% is maintained.

Current investments amounted to €128 million in 1st half 2011, against €113 million in 1st half 2010.

Net debt

Net debt stood at €265 million (against €94 million at December 31st 2010), i.e. 10.7% gearing. It includes the payment of a €1.0 dividend per share as well as the impact of the investment in Canada Fluorspar Inc. amounting to CDN$15 million (approximately €11 million) and some acquisition costs for Total's specialty resins activities (approximately €6 million).

III. TRANSACTION WITH RELATED PARTIES

Transactions with related parties are described in note 17 to the condensed consolidated financial statements as at June 30th 2011.

IV. HIGHLIGHTS SINCE JUNE 30 2011

On July 1st 2011, Arkema finalized the acquisition, for an enterprise value of €550 million, of two of Total's specialty chemicals businesses: coating resins (Cray Valley, and Cook Composites and Polymers), and photocure resins (Sartomer). On the basis of 2010 figures, both businesses, once included in the Arkema business base, will represent annual sales of some €750 million. In the first half of 2011, prior to these activities joining the Arkema Group, their sales reached €490 million, a 13% increase over last year.

On July 26th 2011, Arkema put in place a new €700 million multi-currency bank credit line, with a 5-year term. At the same date, the Group also reduced to €300 million the amount of the syndicated multi-currency credit line set up in 2006.

V. OUTLOOK

In 2nd half 2011, Arkema will continue implementing its many internal projects, in particular the integration of Total's specialty resins which are expected to contribute EBITDA of some €35 million over the next 6 months, the surge to full capacity of the Kynar® PVDF fluoro-polymer unit in China, and, on the same Changshu site, the start-up in the summer of the Coatex specialty acrylic polymer unit.

The Group will continue to monitor closely the macro-economic and political environment around the globe as well as trends in its raw materials costs.

In this context, Arkema will maintain a strict control of its costs and working capital, and is confident in its ability to adapt to raw material and energy price variations.

Following on from the outstanding performance in 1st half 2011, and taking into account the traditional seasonality effect for Arkema in 2nd half of the year related to some of its activities (fluorogases, paint, PVC) and to some major planned maintenance turnarounds, Arkema reaffirms its strong confidence for 2011. The Group anticipates an annual EBITDA increase of around 30%, thereby exceeding for the first time in its history the symbolic €1 billion EBITDA milestone..

VI. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2010 Reference Document filed with the Autorité des marchés financiers (« AMF ») on March 31st 2011 under number D.11-0203. This document is available on Arkema's website under the heading « Investor Relations » (www.finance.arkema.com) and on the AMF website (www.amf-france.org). Additionally, an update of contingent liabilities, where applicable, is given in a note to the half-year financial statements.

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CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	**1st half 2011**	**1st half 2010**
Sales	(C2&C3)	**3,506**	**2,913**
Operating expenses		(2,771)	(2,418)
Research and development expenses		(72)	(68)
Selling and administrative expenses		(199)	(191)
Recurring operating income	(C2)	**464**	**236**
Other income and expenses	(C4)	(10)	(4)
Operating income	(C2)	**454**	**232**
Equity in income of affiliates		10	7
Financial result		(13)	(12)
Income taxes	(C6)	(113)	(67)
Net income of continuing operations		**338**	**160**
Net income of discontinued operations		-	-
Net income		**338**	**160**
Of which: non-controlling interests		3	1
Net income - Group share		**335**	**159**
Earnings per share (amount in euros)	(C8)	*5.45*	*2.62*
Diluted earnings per share (amount in euros)	(C8)	*5.38*	*2.61*
Depreciation and amortization	(C2)	(143)	(142)
EBITDA *	(C2)	607	378
Adjusted net income *	(C5)	344	158
Adjusted net income per share (amount in euros)	(C8)	*5.59*	*2.60*
Diluted adjusted net income per share (amount in euros)	(C8)	*5.52*	*2.60*

* see note B19 Accounting policies / Main accounting and financial indicators

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	1st half 2011	1st half 2010
Net income	**338**	**160**
Hedging adjustments	13	(2)
Deferred taxes on hedging adjustments	1	-
Actuarial gains and losses	17	(31)
Deferred taxes on actuarial gains and losses	(5)	7
Other items	-	1
Deferred taxes on other items	**-**	**-**
Change in translation adjustments	(70)	185
Other comprehensive income of continuing operations	**(44)**	**160**
Other comprehensive income of discontinued operations	-	-
Total income and expenses recognized directly in equity	**(44)**	**160**
Comprehensive income	**294**	**320**
Of which : non-controlling interests	2	4
Comprehensive income – Group share	**292**	**316**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	**30 June 2011**	**31 December 2010**
ASSETS			
Intangible assets, net	(C9)	483	494
Property, plant and equipment, net	(C10)	1,650	1,703
Equity affiliates: investments and loans		52	55
Other investments		44	38
Deferred tax assets		28	29
Other non-current assets		97	89
TOTAL NON-CURRENT ASSETS		**2,354**	**2,408**
Inventories	(C11)	1,054	864
Accounts receivable		1,143	875
Other receivables and prepaid expenses		127	120
Income taxes recoverable		18	20
Other current financial assets		1	4
Cash and cash equivalents		549	527
Total assets of discontinued operations		-	-
TOTAL CURRENT ASSETS		**2,892**	**2,410**
TOTAL ASSETS		**5,246**	**4,818**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	(C12)	618	615
Paid-in surplus and retained earnings		1,871	1,567
Treasury shares		-	(6)
Translation adjustments		(27)	43
SHAREHOLDERS' EQUITY - GROUP SHARE		**2,462**	**2,219**
Non-controlling interests		23	21
TOTAL SHAREHOLDERS' EQUITY		**2,485**	**2,240**
Deferred tax liabilities		49	52
Provisions and other non-current liabilities	(C13)	771	807
Non-current debt	(C15)	592	587
TOTAL NON-CURRENT LIABILITIES		**1,412**	**1,446**
Accounts payable		804	779
Other creditors and accrued liabilities		274	279
Income taxes payable		43	37
Other current financial liabilities		6	3
Current debt	(C15)	222	34
Total liabilities of discontinued operations			-
TOTAL CURRENT LIABILITIES		**1,349**	**1,132**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,246**	**4,818**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**1st half 2011**	**1st half 2010**
Net income	338	160
Depreciation, amortization and impairment of assets	144	144
Provisions, valuation allowances and deferred taxes	(16)	(32)
(Gains)/losses on sales of assets	(3)	(8)
Undistributed affiliate equity earnings	(1)	1
Change in working capital	(431)	(166)
Other changes	3	2
Cash flow from operating activities	**34**	**101**
Intangible assets and property, plant, and equipment additions	(138)	(123)
Change in fixed asset payables	(35)	(13)
Acquisitions of subsidiaries, net of cash acquired	(6)	(17)
Increase in long-term loans	(18)	(24)
Total expenditures	(197)	(177)
Proceeds from sale of intangible assets and property, plant, and equipment	7	12
Change in fixed asset receivables	2	-
Proceeds from sale of subsidiaries, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	7	35
Total divestitures	16	47
Cash flow from investing activities	**(181)**	**(130)**
Issuance (repayment) of shares and other equity	9	17
Purchase of treasury shares	-	(1)
Dividends paid to parent company shareholders	(61)	(37)
Dividends paid to minority shareholders	-	(1)
Increase / decrease in long-term debt	14	1
Increase / decrease in short-term borrowings and bank overdrafts	187	(6)
Cash flow from financing activities	**149**	**(27)**
Net increase/(decrease) in cash and cash equivalents	2	(56)
Effect of exchange rates and changes in scope	20	39
Cash and cash equivalents at beginning of period	527	89
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**549**	**72**

At 30 June 2011, income taxes paid amount to €93 million (€31 million at 30 June 2010).

Interest received and paid included in cash flow from operating activities at 30 June 2011 amount, respectively, to €3 million and €3 million (€0.3 million and €3.9 million at 30 June 2010).

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares issued					Treasury shares				
(In millions of euros)	**Number**	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Non-controlling interests**	**Share-holders' equity**
At 1 January 2011	**61,493,794**	**615**	**1,011**	**556**	**43**	**(136,280)**	**(6)**	**2,219**	**21**	**2,240**
Cash dividend	-	-	-	(61)	-	-	-	(61)	-	(61)
Issuance of share capital	350,033	3	9	-	-	-	-	12	-	12
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(6)	-	132,200	6	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	3	-	-	-	3	-	3
Other	-	-	-	(3)	-	-	-	(3)	-	(3)
Transactions with shareholders	**350,033**	**3**	**9**	**(67)**	**-**	**132,200**	**6**	**(49)**	**-**	**(49)**
Net income	-	-	-	335	-	-	-	335	3	338
Income and expense recognized directly through equity	-	-	-	26	(69)	-	-	(43)	(1)	(44)
Total comprehensive income	**-**	**-**	**-**	**361**	**(69)**	**-**	**-**	**292**	**2**	**294**
At 30 June 2011	**61,843,827**	**618**	**1,020**	**850**	**(26)**	**(4,080)**	**-**	**2,462**	**23**	**2,485**

	Shares issued					Treasury shares				
(In millions of euros)	**Number**	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Non-controlling interests**	**Share-holders' equity**
At 1 January 2010	**60,454,973**	**605**	**999**	**265**	**(78)**	**(407)**	**-**	**1,791**	**22**	**1,813**
Cash dividend	-	-	-	(37)	-	-	-	(37)	(1)	(38)
Issuance of share capital	824,424	8	9	-	-	-	-	17	-	17
Purchase of treasury shares	-	-	-	-	-	(42,000)	(1)	(1)	-	(1)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(1)	-	42,127	1	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	2	-	-	-	2	-	2
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**824,424**	**8**	**9**	**(36)**	**-**	**127**	**-**	**(19)**	**(1)**	**(20)**
Net income	-	-	-	159	-	-	-	159	1	160
Income and expense recognized directly through equity	-	-	-	(25)	182	-	-	157	3	160
Total comprehensive income	**-**	**-**	**-**	**134**	**182**	**-**	**-**	**316**	**4**	**320**
At 30 June 2010	**61,279,397**	**613**	**1,008**	**363**	**104**	**(280)**	**-**	**2,088**	**25**	**2,113**

A. HIGHLIGHTS

3 Growth projects

In March 2011, Arkema successfully started up its new Kynar® PVDF fluoropolymer production plant on schedule at the Changsu site in China. In accordance with the Group's growth strategy in emerging countries, this new plant dedicated to production of the Kynar® PDVF polymer and the VF2 (vinylidene fluoride) monomer strengthens Arkema's position in Asia. It will serve the traditional markets for Kynar® (high-performance industrial coatings, oil and gas, chemical engineering) and new high-growth markets (photovoltaics, lithium-ion batteries).

4 Other highlights

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Arkema will thus benefit from long-term, competitive access to a key commodity for its North American fluorochemicals operations.

B. ACCOUNTING POLICIES

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

ARKEMA's condensed consolidated interim financial statements at 30 June 2011 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 1 August 2011.

The condensed consolidated interim financial statements at 30 June 2011 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 30 June 2011, in compliance with IAS 34 "Interim financial reporting" and the international standards endorsed by the European Union at 30 June 2011. As condensed interim financial statements, they do not incorporate all of the disclosures required in full financial statements and must thus be read in conjunction with the consolidated financial statements for the year ended 31 December 2010.
The accounting framework and standards adopted by the European Commission can be consulted on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm

The accounting policies applied in preparing the condensed consolidated interim financial statements at 30 June 2011 are identical to those used in the consolidated financial statements at 31 December 2010, except for IFRS standards, amendments and interpretations, as adopted by the European Union and the IASB, that are obligatorily applicable for accounting periods commencing on or after 1 January 2011 (and which had not been applied early by the Group), namely:

Standards	Title
IAS 24 (Amended)	Related party disclosures
Amendments to IAS 32	Classification of rights issues
Amendments to IFRS 1	Additional Exemptions for First-time Adopters
Amendments to IFRIC 14	Prepayments of a minimum funding requirement
IFRIC 19	Extinguishing financial liabilities with equity instruments
	Annual improvements to IFRS (published in May 2010)

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

The impact of the other standards, amendments or interpretations published by the IASB and the IFRIC (International Financial Reporting Interpretations Committee) which were not yet in force at 1 January 2011 and have not been applied early by the Group, is currently being analyzed. The following texts are involved:

IFRS 1	First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Not adopted at 30 June 2011
IFRS 7	Disclosures - transfers of financial assets	Not adopted at 30 June 2011
IFRS 10	Consolidated financial statements	Not adopted at 30 June 2011
IFRS 11	Joint arrangements	Not adopted at 30 June 2011
IFRS 12	Disclosure of interests in other entities	Not adopted at 30 June 2011
IFRS 13	Fair value measurement	Not adopted at 30 June 2011
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (OCI)	Not adopted at 30 June 2011
IAS 12	Deferred Tax: Recovery of Underlying Assets	Not adopted at 30 June 2011
Amendments to IAS 19	Employee benefits	Not adopted at 30 June 2011
IAS 27 (Revised)	Separate financial statements	Not adopted at 30 June 2011
IAS 28 (Revised)	Investments in associates and joint ventures	Not adopted at 30 June 2011

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 calculation of the recoverable value of property, plant and equipment and intangibles, pension benefit obligations, deferred taxes and provisions. The disclosures provided concerning contingent assets and liabilities at the date of preparation of the consolidated financial statements also involve the use of estimates.

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

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

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

1 Consolidation principles

- Companies which are directly or indirectly controlled by ARKEMA have been fully included in the consolidated financial statements.
- The entities, assets and operations over which joint control is exercised are consolidated using the proportionate method
- Investments in associates over which significant influence is exercised are consolidated under the equity method. Where the ownership interest is less than 20%, the equity method is only applied in cases where significant influence can be demonstrated.
- Shares owned in companies which do not meet the above criteria are included in other investments and recognized as available-for-sale financial assets in accordance with IAS 39.

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

2 Foreign currency translation

2.1 Translation of financial statements of foreign companies

The functional operating currency of foreign companies in the scope of consolidation is their local currency, in which most of their transactions are denominated. Their balance sheets are translated into euros on the basis of exchange rates at the end of the period; the statements of income and of cash flows are translated using the average exchange rates during the period. Foreign exchange differences resulting from translation of the financial statements of these subsidiaries are recorded either in “Translation adjustments” in shareholders’ equity in the consolidated financial statements for the Group share or in “Non-controlling interests” for the share not directly or indirectly attributable to the Group.

2.2 Transactions in foreign currencies

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

3 Goodwill and business combinations

Operations after 1 January 2010

The Group uses the acquisition method for the recognition of business combinations, in accordance with IFRS 3 (Revised).

The identifiable assets acquired and liabilities assumed are stated at fair value at the acquisition date.

Where the business combination agreement provides for a purchase price adjustment, the Group includes the fair value of this adjustment at the acquisition date in the cost of the business combination, even if the adjustment is optional.

Non-controlling interests are measured at the acquisition date, either at fair value (the full goodwill method) or the NCI's proportionate share of identifiable net assets of the entity acquired (the partial goodwill method). The decision of which option to use is made for each business combination. Subsequent acquisitions of non-controlling interests are always recorded in equity, regardless of the choice made at the time of the acquisition.

At the acquisition date, goodwill is measured as the difference between:

- the acquisition price plus the amount of any non-controlling interests in the acquired entity and the fair value of the acquirer's previously-held equity interest in that acquired entity,
- and the fair value of the identifiable assets and liabilities.

Goodwill is recognized in the balance sheet assets. Any negative goodwill arising on an acquisition, and direct acquisition expenses, are recognized immediately in the income statement under “Other income and expenses" (see note B19 Main accounting and financial indicators).

Contingent liabilities are recognized in the balance sheet when the obligation concerned is current at the acquisition date and their fair value can be reliably measured.

The Group has a maximum of 12 months to finalize determination of the acquisition price and goodwill.

Operations prior to 31 December 2009

The Group applied IFRS 3. The main points affected by IFRS 3 (revised) are the following:

- goodwill was calculated as the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the fair value of their net assets and contingent liabilities at the acquisition date;
- for any subsequent acquisition in the same entity, the difference between the acquisition cost and book value of non-controlling interests was included in goodwill;
- price adjustments were included in the cost of the business combination if the adjustment was probable and could be measured reliably;
- contingent liabilities arising from potential obligations were recognized.

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.

The main categories of intangible assets and the amortization periods applied by the Group are as follows:

- Patents: residual period until expiry of patent protection
- Licences: term of the contract
- Softwares: 3 to 5 years
- Capitalized research expenses: useful life of the project
- REACH registration fees: protection period of study data

4.1 Goodwill

Goodwill is not amortized. It is subject to impairment tests as soon as any indicators of potential impairment are identified. Impairment tests are performed at least annually. The methodology used for the performance of impairment tests is described in paragraph B6 Impairment of long-lived assets.
Goodwill is measured and recognized as described in note B3 Goodwill and business combinations.

4.2 Trademarks

Trademarks with indefinite useful lives are not amortized and are subject to impairment tests.

4.3 Research and development expenses

Research costs are recognized in expenses in the period in which they are incurred. Grants received are recognized as a deduction from research costs.
Under IAS 38 “Intangible assets”, development costs are capitalized as soon as ARKEMA can demonstrate, in particular:

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

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

4.4 Research tax credit

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

4.5 REACH

As no specific IFRIC interpretations exist on the subject, Arkema applies the following methods based on IAS 38:

- when most of the tests required for preparing the registration file have been acquired from a third party, ARKEMA records an operating right in the intangible assets;
- when most of the expenses involved in preparing the registration file have been carried out internally or outsourced, ARKEMA capitalizes the development costs that meet the requirements for capitalization defined by IAS 38 (see 4.3).

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

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 indication of impairment is identified. A review to identify if any such indication exists is performed at each year-end. An impairment test is performed at least once a year in respect of goodwill and trademarks.

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

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. For ARKEMA, the CGUs are the business units presented in note B14. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next 5 years or, when the asset is to be sold, by comparison with its market value. In 2010, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5%. An after-tax rate of 7.5% is used to discount future cash flows and the terminal value in 2010. 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 losses on goodwill are irreversible (in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be written back).

7 Financial assets and liabilities

Financial assets and liabilities are principally comprised of:

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

7.1 Other investments

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

If an objective indicator of impairment in the value of a financial asset is identified, an irreversible impairment loss is recognized, in general through recurring operating income. Such impairment is only reversed via income at the date of disposal of the securities.

7.2 Loans and financial receivables

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

7.3 Accounts receivable

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

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 (including accounts payable)

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. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the "Level 2" category defined in IFRS 7.
Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate,

except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.
For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expense recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in net income. A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expense recognized directly through equity" caption.

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 manufactured products inventories includes raw material and direct labour costs, and an allocation of production overheads and depreciation based on normal production capacity. Start-up costs and general and administrative costs are excluded from the cost of manufactured products inventories.
The net realizable value is the sale price as estimated for the normal course of business, less estimated costs for completion and sale.

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 C14 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.
Legal expenses required for defence of the Group's interests are covered by a provision when significant.

Long-term provisions, other than provisions for pensions and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

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

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;
- the most recent mortality statistics for the countries concerned.

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

The Group has opted to recognize actuarial gains and losses directly in shareholders’ equity under the “Income and expense recognized directly through equity” caption, in accordance with the amendment to IAS 19 of December 2004.

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

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

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

Other long-term benefits

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

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

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

At interim period ends, expenses relating to pensions and other long-term employee benefits are calculated using an extrapolation of the actuarial valuations performed at the previous year-end. These valuations are modified if significant changes have occurred in market conditions since the previous year-end or in the case of settlements, curtailments or other material non-recurring events (see note C13.2 Provisions and other non-current liabilities/Provisions).

11 Greenhouse gas emissions allowances (EUA) and certified emission reductions (CER)

In the absence of an IFRS standard or interpretation relating to accounting for CO_2 emissions allowances, the following treatment has been adopted:

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

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO_2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

The CERs produced by the Group in the context of projects to reduce its greenhouse gas emissions are recognized in inventories, and sales are recorded at their net-of-tax value on delivery of the CERs.

12 Recognition of sales

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

13 Income taxes

13.1 Current taxes

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.
The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.
The French Finance Act for 2010 introduced the local tax named CET (*Contribution Economique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). After analyzing the methods for determining this contribution in the light of the positions of the IFRIC and France's Accounting Standards Authority ANC (*Autorité des Normes Comptables*) in late 2009, the Group considered that in this specific case, the contribution meets the requirements to be treated as a current tax under IAS 12. The CVAE is therefore classified under "income taxes" from 1 January 2010.

13.2 Deferred taxes

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

- the Group controls the timing of the reversal of the temporary difference, and

- it is probable that this difference will not reverse in the foreseeable future.

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

As the contribution based on companies' value added CVAE (*Cotisation sur la Valeur Ajoutée des Entreprises*) is considered as a component of income taxes, the relevant calculation methods generate temporary differences for which a deferred tax liability of 1.5% of the value is recorded.

14 Information by segment

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

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

- Vinyl Products includes the following business units: Chlorochemicals-PVC, Vinyl compounds and downstream converting (Pipes and Profiles). From June 2011, this segment is divided into two business units: Chlorochemicals-PVC and Innovative Vinyls, which comprises Pipes and Profiles, Vinyl compounds and CPVC which was previously part of the Chlorochemicals-PVC business unit. Vinyl products are used in areas such as construction and civil engineering, and also in water treatment, healthcare, domestic hygiene, the automobile sector and electric equipment.

- Industrial Chemicals brings together the following business units: Acrylics, Specialty Acrylic Polymers, PMMA, Thiochemicals, Fluorochemicals, Hydrogen Peroxide and Emulsions. Industrial Chemicals products are used in numerous industrial sectors such as ink and paint, healthcare and hygiene, the environment, refrigeration, oil and gas, production of paper pulp, animal feed, electronics and the automobile sector.

- Performance Products groups the following business units: Technical Polymers, Specialty Chemicals and Functional Additives. Performance Products are used in a variety of sectors from transport to sporting equipment, oil extraction to renewable energies, cosmetics to medical equipment, construction to household electrical goods.

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 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.

16 Share-based payments

In application of IFRS 2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that granted the stock options and free shares.

The fair value of the options is calculated using the Black & Scholes model, adjusted, in the case of plans awarded from 2011, for an illiquidity cost due to the non-transferability of instruments; the expense 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 and, in the case of plans awarded from 2011, for an illiquidity cost related to the period of non-transferability. The expense recognized also reflects the probability that the presence condition will be fulfilled. This expense is included in personnel expenses on a straight-line basis over the vesting period of the rights.

17 Earnings per share

Earnings per share corresponds to the division of net income (Group share) by the weighted average number of ordinary shares in circulation since the start of the year.

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

The effect of dilution is thus calculated taking account of stock options and grants of free shares to be issued.

18 Discontinued operations and assets held for sale

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

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

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

19 Main accounting and financial indicators

The main performance indicators used are as follows:

- **Operating income:** this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;
- **Other income and expenses:** these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:
  - impairment losses in respect of property, plant and equipment and intangible assets,
  - gains or losses on sale of assets, acquisition costs, negative goodwill on acquisitions and the valuation difference on inventories between their fair value at the acquisition date and their production cost,
  - large restructuring and environmental expenses which would hamper the interpretation of recurring operating income (including substantial modifications to employee benefit plans and the effect of onerous contracts),
  - expenses related to litigation and claims or major damages, whose nature is not directly related to ordinary operations;
- **Recurring operating income:** this is calculated as the difference between operating income and other income and expenses as previously defined;
- **Adjusted net income:** this corresponds to “Net income – Group share” adjusted for the “Group share” of the following items:
  - other income and expenses, after taking account of the tax impact of these items,

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

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Impact 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 Southern Europe;
- in some of ARKEMA's businesses, particularly those serving the refrigeration, construction and coatings markets, the level of sales is generally higher in the first half of the year than in the second half; and
- major maintenance turnarounds at ARKEMA's production plants tend to take place in the second half of the year rather than in the first half.

Seasonality effects observed in the past are not necessarily representative of future trends, but they could have a material influence on the changes in results and working capital between the different quarters of the financial year. Revenues from ordinary activities earned on a seasonal, cyclical or occasional basis during a financial year are neither recognized in advance nor deferred at interim reporting dates unless it would be appropriate to recognize them in advance or defer them at the 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.

1st half 2011 *(In millions of euros)*	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group Total**
Non-Group sales	631	1,889	976	10	**3,506**
Inter segment sales	35	85	10	**-**	
Total sales	**666**	**1,974**	**986**	**10**	
Recurring operating income	**(27)**	**385**	**128**	**(22)**	**464**
Other income and expenses	(1)	(6)	-	(3)	**(10)**
Operating income	**(28)**	**379**	**128**	**(25)**	**454**
Equity in income of affiliates	9	-	1	-	**10**
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(29)	(69)	(44)	(1)	**(143)**
Asset impairment charges	-	-	-	-	**-**
Provisions	1	9	(3)	6	**13**
EBITDA	**2**	**454**	**172**	**(21)**	**607**
Intangible assets and property, plant, and equipment additions	34	54	42	8	**138**
Of which additions of an exceptional nature	3	6	-	-	9

1st half 2010 *(In millions of euros)*	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group Total**
Non-Group sales	569	1,515	820	9	**2,913**
Inter segment sales	29	70	8	**-**	
Total sales	**598**	**1,585**	**828**	**9**	
Recurring operating income	**(35)**	**202**	**85**	**(16)**	**236**
Other income and expenses	(1)	(2)	-	(1)	**(4)**
Operating income	**(36)**	**200**	**85**	**(17)**	**232**
Equity in income of affiliates	6	-	1	-	**7**
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(28)	(69)	(45)	-	**(142)**
Asset impairment charges	-	(1)	-	-	**(1)**
Provisions	8	21	(2)	13	**40**
EBITDA	**(8)**	**272**	**130**	**(16)**	**378**
Intangible assets and property, plant, and equipment additions	20	57	43	3	**123**
Of which additions of an exceptional nature	-	7	3	-	10

3 Information by geographical area

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

1st half 2011 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	475	1,226	993	685	127	3,506

1st half 2010 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	Total
Non-Group sales	419	1,020	853	501	120	2,913

(1) NAFTA: United States, Canada, Mexico

4 Other income and expenses

	1st half 2011			1st half 2010		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(5)	1	(4)	-	1	1
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	-	-	-	-	-	-
Litigation and claims	-	-	-	(4)	-	(4)
Gains (losses) on sales and purchases of assets	(6)	-	(6)	(12)	11	(1)
Other	-	-	-	-	-	-
Total other income and expenses	**(11)**	**1**	**(10)**	**(16)**	**12**	**(4)**

In the first half of 2011, gains and losses on sales and purchases of assets comprise the costs related to acquisition of Total's photocure and coatings resins businesses (see note C7, Business combinations).

In the first half of 2010, net expenses for litigation and claims mainly relate to events arising in 2008 and 2009. The €1 million loss on sales of assets concerns acquisition of some of the activities of The Dow Chemical Company in the US. The transaction generated negative goodwill of €11 million. Expenses and the stock valuation difference between the fair value at the acquisition date and the production cost amounted to €(12) million.

5 Adjusted net income

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

(In millions of euros)	Notes	1st half 2011	1st half 2010
Net income - Group share		**335**	**159**
Other income and expenses	(C4)	10	4
Taxes on other income and expenses		(1)	(5)
Exceptional taxation		-	-
Discontinued operations		-	-
Adjusted net income		**344**	**158**

6 Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	1st half 2011	1st half 2010
Current income taxes	(111)	(75)
Deferred income taxes	(2)	8
Total income taxes	**(113)**	**(67)**

The income tax expense amounts to €113 million at 30 June 2011, including €8 million for the CVAE (compared with €67 million at 30 June 2010, including €5 million for the CVAE).

7 Business combinations

On 1 July 2011, ARKEMA finalized its acquisition for an enterprise value of €550 million of two of Total's specialty chemicals businesses: coatings resins (Cray Valley and Cook Composites Polymers), and photocure resins (Sartomer). Based on 2010 figures, these two business lines will contribute annual sales in the region of €750 million once included in the ARKEMA consolidation.

This acquisition will make Arkema a worldwide leader in the coatings resins market and is a perfect illustration of the group's strategy to develop its specialty businesses. Following integration of the acrylic business, this latest transaction offers significant potential for growth and synergies.

The expenses incurred have been recorded at €6 million (see note C4 Other income and expenses).

If the acquisition had taken place at 1 January 2011, it would have generated additional sales of approximately €440 million in the first half of 2011.

Since the information required for initial recognition of the acquisition was being analyzed by the Board of Directors at the date of finalization of the financial statements, the Group is unable to determine the amount of goodwill resulting from the operation, the fair value of the total consideration transferred, and its breakdown by nature.

8 Earnings per share

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

	1st half 2011	1st half 2010
Weighted average number of ordinary shares	61,520,842	60,789,944
Dilutive effect of stock options	666,976	4,745
Dilutive effect of free share grants	99,558	8,539
Weighted average number of potential ordinary shares	62,287,376	60,803,228

Earnings per share is determined below:

	1st half 2011	1st half 2010
Earnings per share (€)	5.45	2.62
Diluted earnings per share (€)	5.38	2.61
Adjusted net income per share (€)	5.59	2.60
Diluted adjusted net income per share (€)	5.52	2.60

At 30 June 2011, all outstanding stock option plans had a dilutive effect, except for the plans awarded in 2011 which were ultimately non-dilutive.

9 Intangible assets

In the first half of 2011, acquisitions of intangible assets amounted to €9 million (€11 million in the first half of 2010).

10 Property, plant & equipment

In the first half of 2011, capital expenditure on property, plant and equipment amounted to €128 million (€111 million in the first half of 2010). The Group also sold or scrapped property, plant and equipment with total gross value of €61 million (€54 million in the first half of 2010).

11 Inventories

The gross amount of the Group's inventories rose from €942 million at 31 December 2010 to €1,136 million at 30 June 2011.

In the first half of 2011, the Group recognized a net increase of €4 million in impairment of inventories. This compared to a net decrease of €5 million in impairment of inventories in the first half of 2010.

12 Shareholders' equity

At 31 December 2010, Arkema S.A.'s share capital amounted to €615 million and was composed of 61,493,794 shares with a nominal value of 10 euros.

On 30 June 2011, the Group carried out a capital increase of €3 million following the exercise of 350,033 stock options. Following this operation, Arkema S.A.'s share capital was increased to €618 million divided into 61,843,827 shares.

During the first half of 2011, the company allocated 132,200 treasury shares to employees.

The shareholders' general meeting of 24 May 2011 adopted a resolution proposing to distribute a dividend of €1 per share, or a total amount of €61 million, in respect of the 2010 financial year.

13 Provisions and other non-current liabilities

13.1 Other non-current liabilities

Other non-current liabilities amount to €37 million at 30 June 2011 as against €36 million at 31 December 2010.

13.2 Provisions

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 31 December 2010	**352**	**198**	**100**	**121**	**771**
Increases in provisions	11	1	2	14	28
Reversals from provisions on use	(8)	(6)	(18)	(8)	(40)
Reversals of unused provisions	(3)	-	(1)	(1)	(5)
Changes in scope	-	-	-	-	-
Translation adjustments	(6)	(6)	(1)	(3)	(16)
Other	(17)*	-	-	13	(4)
Assets held for sale	-	-	-	-	-
At 30 June 2011	**329**	**187**	**82**	**136**	**734**

(*) including actuarial gains and losses for the period

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

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
Total provisions at 30 June 2011	**329**	**187**	**82**	**136**	**734**
Portion of provisions covered by receivables or deposits	**1**	**35**	**-**	**4**	**40**
Deferred tax asset related to amounts covered by the Total indemnity	-	19	-	3	22
Net pension assets	**-**	**-**	**-**	**-**	**-**
Provisions at 30 June 2011 net of non-current assets	**328**	**133**	**82**	**129**	**672**

13.3 Provisions for pensions and similar benefits

At 30 June 2011, provisions for pensions and similar benefits are comprised of pension benefit obligations for €223 million (€239 million at 31 December 2010), healthcare plans for €53 million (€56 million at 31 December 2010), long-service awards for €44 million (€47 million at 31 December 2010) and Group pre-retirement plans for €9 million (€10 million at 31 December 2010).

Certain defined-benefit plans in the Netherlands were overfunded at 30 June 2011, but no net asset can be recognized due to the limits imposed by paragraph 58 of IAS 19 and IFRIC 14. The current overfunding on these Dutch plans is not expected to be reimbursed to the company nor set against future contributions.

ARKEMA applied the following discount rates at 30 June 2011:

Pension benefit and healthcare plan commitments	Europe	USA
At 30 June 2011	4.80% - 5.50%	5.50%
At 31 December 2010	4.50% - 5.20%	5.25%

Long-service awards	Europe
At 30 June 2011	4.50%
At 31 December 2010	3.60% - 5.17%

The present value of defined benefit obligations at the end of 2010 was adjusted at 30 June 2011 on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2010 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets was reassessed on the basis of new valuations at 30 June 2011.

The changes in discount rates and the remeasurement of plan assets have the following effects at 30 June 2011:

(In millions of euros)	Changes in discount rates	Remeasurement of plan assets
Actuarial gains and losses recognized in shareholders' equity		
Actuarial gain (loss) related to pensions and healthcare plans	10	3
Benefit obligations recognized in balance sheet liabilities		
Pension and other long-term benefits	(17)	(4)
Income or expenses recognized in the income statement		
Other employee benefits	3	-

13.4 Provisions for environmental contingencies

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

- in France for €97 million (€98 million at 31 December 2010)
- in the United States for €68 million (€78 million at 31 December 2010), of which €54 million in respect of former industrial sites covered 100% by the Total Group indemnity (receivable recognized in "other non-current assets" for an amount of €35 million and €19 million of deferred taxes) (see note C19.2 Off balance sheet commitments/Commitments received).

13.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €71 million (€87 million at 31 December 2010).

14 Contingent liabilities

14.1 Environment

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

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

Clean-up of sites

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

Sites currently in operation:

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

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

As regards the site of Saint-Auban, different legal proceedings brought against Arkema France have been grouped together (merging of proceedings - “jonction de procédures") with the Nanterre correctional court. An administrative procedure was also initiated in 2009 concerning the Spinetta site (Italy - Arkema srl).

Closed industrial sites (Former industrial sites):

Total directly or indirectly took over the closed industrial sites at the date of the Spin-Off of Arkema’s Businesses.

14.2 Litigation, claims and proceedings in progress

14.2.1 Antitrust litigation

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

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema’s Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS, the main terms of which are described in note C28, “Off-balance sheet commitments”, to the consolidated financial statements at 31 December 2010, which can be found in Chapter 28.2 of ARKEMA’s 2010 Reference Document.

Some of the European Commission proceedings are currently under appeal by Arkema France before the European Union’s General Court or the European Court of Justice.

Proceedings carried out by the European Commission

Arkema France currently remains a party to several proceedings being carried out by the European Commission alleging violations of the rules of EU competition law restricting anticompetitive agreements.

The appeal proceedings by Arkema France before the European Union's General Court following the European Commission's decisions in the heat stabilizers case are still pending.

The appeal proceedings concerning the MCAA case are still ongoing before the European Court of Justice following the General Court's judgement issued in 2009.

In the first half of 2011, the European Union's General Court issued its decision in the sodium chlorate and methacrylates cases. In the former, the Court upheld the Commission's decision and in the latter, it reduced Arkema France's fine from €219.1 million to €113.3million. At 30 June 2011, since the European Commission was entitled to appeal, Arkema France did not recognize its 10% share of the reimbursement as required by the Total indemnity.

In July 2011, the European Union's General Court issued its ruling in the hydrogen peroxide case, which confirmed the Commission's decision.

In addition to the proceedings carried out by the European Commission, it cannot be ruled out that civil suits for damages are filed by third parties claiming to be victims of the violations in relation to which fines have been imposed by the European Commission.

There were no significant developments in the first half of 2011 in connection with the claim for compensation lodged with the Dortmund (Germany) Tribunal by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA as a result of Arkema France's participation in the hydrogen peroxide cartel.

In June 2011, a further claim was made against Arkema France before the Amsterdam court by an affiliate of CDC (CDC Project 13 S.A.), concerning sodium chlorate. These proceeding are identical to those initiated by CDC in Germany for hydrogen peroxide.

Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitively held against it by the competent jurisdiction after exercise of any recourse available, and so has not recognized any provisions in this respect.

Proceedings in the United States and Canada

a) US civil actions

In 2008 and early 2009, the appeals court ruled that the trial courts erred when they granted class certification of direct purchaser classes in the hydrogen peroxide matter and in the plastics additives matter; the appeals court remanded each of those cases back to the trial courts for further proceedings consistent with proper class

certification standards. Following those appellate decisions, the trial court finally approved the settlement agreements that Arkema Inc. and Arkema France separately executed with the direct purchaser class in Hydrogen Peroxide and with the direct purchaser class of MMA/PMMA products.
In the plastics additives direct purchaser action, on remand and after a full hearing, the court denied the plaintiffs' request for class certification. Plaintiffs' request for reconsideration of the court's denial of class certification was rejected by the trial court. During the first half of 2011, the plaintiffs announced that they intended to continue proceedings individually, for a more restricted class of products than in the initial action.

During the first quarter of 2010, Arkema Inc. reached a signed settlement agreement with the indirect purchasers of hydrogen peroxide from five American states which had initiated action alleging violation of state competition laws. Under this agreement, which has now received court approval, Arkema Inc. will make no payments and will provide limited cooperation if the case proceeds to trial against other defendants.

b) Canadian civil actions

In Canada, a number of civil actions alleging violations of Canadian competition laws concerning hydrogen peroxide products were filed in Quebec, Ontario and British Columbia in 2005 and 2006. The trial court in Ontario has certified a class of direct and indirect purchasers. Arkema SA, Arkema Inc. and Arkema Canada Inc.'s request for leave to appeal that decision was denied in June 2010. The plaintiffs and the defendants have reached an agreement on May 31, 2011 in principle to settle all of the pending Canadian actions for a payment of CAD100,000 and some specific cooperation, subject to conditions that include the approval of the courts in all three jurisdictions in which the cases are pending. The Ontario court has set an approval hearing for September of 2011.

14.2.2 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 7 February 1996 and Decree No. 96-1133 of 24 December 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.

14.2.3 Other litigation and claims and contingent liabilities

- Arkema France

In 1995, the company Gasco brought a claim for damages against Elf Atochem (the former name of Arkema France) before the court in Ghent (Belgium) in respect of an alleged breach of contract and breach of an exclusivity agreement. At first instance, Gasco obtained a judgment against Atofina for payment of €248,000 by way of damages for breach of contract (payment of that sum has been made) but its claim for breach of the exclusivity agreement was dismissed. Appeal proceedings have been pending before the Ghent Court of Appeal since 1999, and no developments have arisen since then. Having regard to the weak basis of the allegations made against it and the defenses available to the Group, the Group's view as the matter currently stands is that the amount of the provision made for this matter in the accounts is sufficient. No significant developments arose on this case in the first half of 2011.

Arkema France supplies various products for the coating of items used in a number of European countries in the manufacture of sanitary treatment facilities. These products are subject to inspection on the part of approved laboratories which must certify their conformity with the applicable sanitary regulations. Arkema France has an interpretation of the regulations applicable in France that diverges from that of a French laboratory and the public authorities as regards regulatory clearance in France of a product, even though this product is approved in other European Union countries. The Group takes the view that this problem is essentially administrative in nature. However, the possibility that users might seek to attach liability to Arkema France as the supplier cannot be excluded. In the event that such claims were successful, the costs of replacement of the products and the damages that could be claimed could prove to be extremely high.

Under the terms of a services agreement, Arkema France has the effluent produced by its industrial operations at Lacq and Mourenx treated by Total E&P France, which has specific authorization to inject this effluent, together with effluent it produces itself, into a cavity called Crétacé 4000. The French customs authorities issued a tax demand of €6.7 million to Total, covering the years2003 to 2006, for non-payment of the French general tax on polluting activities (*taxe générale sur les activités polluantes*, or TGAP) which, according to the authorities, should be applied to these injections of effluent. Following the authorities' rejection of Total's appeal at the end of 2008, Total initiated a case in the court of first instance against them in early 2009, seeking cancellation of the tax demand. Total's main argument is that the injections are not carried out in a context subject to Classified Facilities regulations and are thus not subject to the TGAP. The court's decision issued in April 2011 rejected Total's principal claim while acknowledging that its own effluents should be exempt from the TGAP. However,

the possibility cannot be fully ruled out that, at the end of the proceeding, Total may be required to pay all or part of the TGAP assessed, of which ARKEMA could be liable for a portion.

In 2005, 260 employees and former employees of the Pierre-Bénite site made a claim for damages with the Lyon employee claims courts (*Conseils de prud'hommes*) for alleged non-compliance with the terms of the chemicals industry branch agreement over break times. The claimants consider that, given the manner in which work is organized and structured on this site, the break granted to them does not allow them to be released from all work and to be able to freely go about their personal affairs. The claim for compensation amounts to €5.2 million. Arkema France has contested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. The Lyon appeal court is expected to rule on the case by the end of 2011, and a provision has been recognized in the financial statements for an amount that the Group considers adequate.

In the first half of 2011, 98 former employees of Arkema France who left the company under the early retirement system for asbestos workers brought proceedings before employee claims courts, claiming compensation for losses of income caused by their departure under this system.
The conditions for departure under the early retirement system and the amount of the allocation received by beneficiaries - the subject of the current litigation - are defined by French law.
These proceedings follow rulings by the Paris and Bordeaux appeal courts awarding compensation to former employees of other companies who also left their jobs under the same system. The damages awarded varied, ranging up to the full amount of salary. In a ruling of 11 May 2010, the labour chamber of the Court of Cassation partly overturned the decisions by the Paris and Bordeaux appeal courts, judging that no compensation could be claimed for loss of revenue resulting from departure under the early retirement system. This judgement has since been confirmed several times. The court did however accept the existence for these employees of a prejudice of anxiety eligible for compensation.
For Arkema France, in the cases currently in process, two former employees have so far received a favourable ruling by the Forbach employee claims court. Their claim concerning the prejudice of anxiety was rejected, but the court agreed to order partial compensation for the loss of salary resulting from departure under the CAATA system, whereas the Court of Cassation takes the opposite position. Arkema France has appealed these decisions. The Martigues employee claims court took a contrary view to the labour chamber of the Court of Cassation in rulings of 23 February 2011, ordering Arkema France to compensate five former employees for economic prejudice, and also finding against Arkema France on the question of the prejudice of anxiety. Arkema France has appealed these decisions. The rest are expected in the next few months.
It is likely that other former employees of Arkema France who benefited from the asbestos-related early retirement system, or other employees who may have been exposed to asbestos, may themselves claim compensation before an employee claims court for the prejudice of anxiety. In June 2011 for example, based on this precedent, 95 former employees of the Saint Auban establishment began action to seek damages for the prejudice of anxiety.

A provision has been recognized in the financial statements in respect of the litigations currently in progress, for an amount that the Group considers adequate.

In 2009, the Council of State cancelled the decision by the Lyon administrative court confirming the rulings against Arkema France, ordering the company to complete the pollution diagnosis for part of the Saint Fons site and propose preventive or remedial work. However, during proceedings before the Council of State, the Prefect of the Rhône region issued a new decision in 2007 still concerning the Saint Fons site, ordering Arkema France to carry out a quality monitoring on underground water and propose a pollution management plan. Arkema France considers that this decision, which it has appealed, should also be ultimately cancelled. If not, the possibility that rehabilitation of the site affected by the pollution will finally be the responsibility of Arkema France cannot be ruled out. Arkema France has already begun legal action against Rhodia Chimie, the previous operator of the site.

- Arkema Srl

In a criminal investigation related to the Spinetta site in Italy and concerning a certain number of managers and directors of Arkema Srl, the Judge ruled in June 2011 that applications by third parties to bring civil claims for damages were valid.
Given the circumstances, Arkema Srl considers it is still too early to determine the precise nature and extent of the potential liability of the managers or directors cited in this criminal investigation.

- CECA

There were no significant developments during the first half of 2011 in the litigation between Intradis and CECA over CECA's alleged liability for pollution of land purchased by Intradis.

- Arkema Inc.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments arose in the first half of 2011 in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere. When they are not covered by insurance policies, provisions have been made for these proceedings in an amount which the Group considers sufficient.
However, due to the continuing uncertainties as to the outcome of these proceedings, the Group is not, as at the date of these financial statements, in a position, having regard to the information available to it, to estimate the total amount of the claims that might finally be upheld against it by the various competent courts after the exhaustion of any avenues of appeal.
On 5 August 2010, Rohm and Haas served Arkema Inc. and Arkema France with a petition in the District Court of Harris County, Texas. The petition asserts various claims against Arkema associated with the Deer Park, Texas Capacity Reservation Contract, MMA Swap Agreement, and MMA Supply Agreement. The claims are in particular for breaches of contract.

On 1 October 2010 an Amended Complaint sought to terminate Arkema Inc.'s right under the Capacity Reservation Contract as of 1 April 2014. On 21 April 2011, the Court in Texas issued an order granting Arkema Inc.'s motion for summary judgment on one count in the complaint, holding, in relevant part, that the Capacity Reservation Contract "remains in full force and effect" and that Arkema Inc.'s purchase rights under such contract "shall continue for the life of the Deer Park Facility." Rohm and Haas has sought permission from the trial court to appeal that decision.
On 13 August 2010, Rohm and Haas filed a Notice of Arbitration and Statement of Claim with the American Arbitration Association in New York. The arbitration claim seeks relief from the alleged failure of Arkema to enter into a replacement swap agreement for MMA.
As of 30 June 2011 the Texas case and the AAA arbitration described above were proceeding simultaneously.

- Arkema Quimica Limitada

In the tax litigation between the Brazilian government and Arkema Quimica Limitada, the company received confirmation during the first half of 2011 that the judge would accept a guarantee in the form of a cash deposit and a pledge of other assets for the current portion of the liability. If the tax authorities give final consent to the terms for payment of the liability subject to amnesty, only an amount of 9.2 million reais or around €4 million at 30 June 2011 would be concerned by an appeal before the courts, which Arkema considers would have reasonable chances of success.

15 Debt

Group net debt amounted to €265 million at 30 June2011, taking account of cash and cash equivalents of €549 million; it is mainly denominated in euros.

The Group has the following instruments:

- In October 2010, the Group issued a €500 million bond that will mature on 25 October 2017, with a fixed coupon of 4.00%.

- On 31 March 2006, the Group put in place a multi-currency syndicated credit facility in a maximum amount of €1,100 million, with an initial duration of fiveyears, maturing on 31 March 2011. In February 2007, the credit facility was extended a first time until 31 March 2012, for an amount of €1,094 million. In February 2008, the credit facility was extended a second time until 31 March 2013, for an amount of €1,049 million. Finaly, on 26 July 2011, the Group reduced the total value of the credit facility to €300 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 and 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 C28, Off-balance sheet commitments, in the consolidated financial statements for the year ended 31 December 2010;

(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 twice a year) of less than 3.

This facility was not used in 2011.

- On 26 July 2011, the Group put in place a multi-currency syndicated credit facility in the amount of €700 million, with a duration of five years, maturing on 26 July 2016. This credit facility is intended to finance the Group's general requirements and includes an early repayment clause in the event of certain situations including a change in control of ARKEMA. It includes:

(i) standard undertakings and commitments for this type of financing

(ii) a financial undertaking in which ARKEMA undertakes to maintain a ratio of consolidated net debt to consolidated EBITDA (tested twice a year) of less than 3; this may be raised to 3.5 in the event of an acquisition that would justify the increase, for a maximum of two non-consecutive test dates.

- The Group also has a securitization program for sales receivables which remain in the consolidated accounts, representing a maximum financing of €240million, used in the amount of €168 million at 30 June 2011.

15.1 Analysis of net debt by category

In millions of euros	30 June 2011	31 December 2010
Bond	495	495
Finance lease obligations	11	12
Bank loans	58	52
Other non-current debt	28	28
Non-current debt	**592**	**587**
Finance lease obligations	2	2
Syndicated credit facility	0	0
Other bank loans	194	25
Other current debt	26	7
Current debt	**222**	**34**
Debt	**814**	**621**
Cash and cash equivalents	549	527
Net debt	**265**	**94**

15.2 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

In millions of euros	30 June 2011	31 December 2010
Euros	722	536
US Dollars	15	17
Chinese Yuan	70	64
Korean Won	3	1
Other	4	3
Total	**814**	**621**

15.3 Analysis of debt by maturity

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

In millions of euros	30 June 2011	31 December 2010
Less than 1 year	247	56
Between 1 and 2 years	40	50
Between 2 and 3 years	37	29
Between 3 and 4 years	34	27
Between 4 and 5 years	38	28
More than 5 years	579	584
Total	**975**	**774**

16 Management of risks related to financial assets and liabilities

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

16.1 Foreign currency risk

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

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

The fair value of the Group's forward foreign currency contracts is a liability of €5 million.

The amount of foreign exchange gains and losses recognized in recurring operating income at 30 June 2011 is a loss of €0.5 million (loss of €3.2 million at 30 Jne 2010).

The portion of foreign exchange gains and losses corresponding to interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result. It amounts to a positive €0.5 million at 30 June 2011(non-significant at 30 June 2010).

16.2 Interest rate risk

Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at 30 June 2011.
An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of increasing (decreasing) the interest on financial liabilities measured at amortized cost by €1 million.

16.3 Liquidity risk

The Group's central treasury department manages the liquidity risk associated with the Group's debt.
Liquidity risk is managed with the main objective of ensuring renewal of the Group's financing and, in the context of meeting this objective, optimizing the annual financial cost of the debt.
In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.
The main circumstances in which early repayment or termination could occur concern the syndicated credit facility (see note C15 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. At 30 June 2011, consolidated net debt represents 0.3 times consolidated EBITDA for the last 12 months.
Note C15 Debt provides details of the maturities of debt.

16.4 Credit risk

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

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

the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

In addition, the Group's policy for recognizing bad debt provisions in respect of receivables not covered by credit insurance, or the portion of receivables that are not so covered, has two components: receivables are individually provided against as soon as a specific risk of loss (economic and financial difficulties of the customer in question, entry into receivership, etc.) is clearly identified. The Group may also recognize general provisions for receivables that are overdue for such a period that the Group considers that a statistical risk of loss exists. These periods are adapted depending on the Business Units and the geographical regions in question.
Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group limits its exposure to credit risk by only investing in liquid securities with first-class commercial banks.

16.5 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.
Recognition of these derivatives had no impact on the income statement at 30 June 2011 (also no impact at 30 June 2010).

17 Related parties

17.1 Transactions with non-consolidated or equity accounted companies

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

18 Share-based payments

18.1 Stock options

On 4 May 2011, the Board of Directors decided to put in place two stock option plans for the benefit of members of the Group's Executive Committee.

In Plan 1, stock options will be awarded subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of ROCE. In Plan 2, stock options will be awarded subject to a vesting period of 4 years, with effect from the Board of Directors' grant, and subject to compliance with a performance objective relating to ARKEMA's average EBITDA margin for the period 2011-2014.

The main characteristics of the outstanding stock option plans at 30 June 2011 are as follows:

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2	
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	04 July 06	14 May 07	13 May 08	10 May 10	10 May 10	4 May 11	4 May 11	
Vesting period	2 years	2 years	2 years	2 years	5 years	2 years	4 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	4 years	4 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	68.48	68.48	
								Total
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**105,000**	**105,000**	**2,260,000**
- to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	29,250	29,250	306,000
- to the 10 largest beneficiaries*	181,000	217,000	169,350	104,000	104,000	75,750	75,750	926,850
Total number of options exercised	**396,450**	153,900	14,080	-	-	-	-	**564,430**
- by corporate officers	22,000	10,000	-	-	-	-	-	32,000
- by the 10 largest beneficiaries*	171,000	79,050	9,750	-	-	-	-	259,800
Number of options								
In circulation at 1 January 2009	534,850	592,200	460,000	-	-	-	-	1,587,050
Granted	-	-	-	-	-	-	-	-
Cancelled	-	1,000	5,586	-	-	-	-	6,586
Exercised	-	-	-	-	-	-	-	-
In circulation at 31 December 2009	**534,850**	**591,200**	**454,414**	**-**	**-**	**-**	**-**	**1,580,464**
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	-	-	1,580,464
Granted	-	-	-	225,000	225,000	-	-	450,000
Cancelled	11,900	12,000	11,992	-	-	-	-	35,892
Exercised	214,397	-	-	-	-	-	-	214,397
In circulation at 31 December 2010	**308,553**	**579,200**	**442,422**	**225,000**	**225,000**	**-**	**-**	**1,780,175**
En circulation au 1 January 2011	308,553	579,200	442,422	225,000	225,000	-	-	1,780,175
Granted	-	-	-	-	-	105,000	105,000	210,000
Cancelled	-	2,000	1,299	5,000	5,000	-	-	13,299
Exercised	182,053	153,900	14,080	-	-	-	-	350,033
In circulation at 30 June 2011	**126,500**	**423,300**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,626,843**

* Employees who are not corporate officers of Arkema SA or any other Group company

Valuation method

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

	2006 Plan	2007 Plan	2008 Plan	2010 Plan 1	2010 Plan 2	2011 Plan 1	2011 Plan 2
Volatility	22%	20%	25%	35%	32%	32%	32%
Risk-free interest rate	2.82%	3.39%	4.00%	0.34%	0.34%	1.29%	1.29%
Maturity	4 years	4 years	4 years	4 years	5 years	4 years	4 years
Exercise price (in euros)	28.36	44.63	36.21	30.47	30.47	68.48	68.48
Fair value of stock options (in euros)	**6.29**	**7. 89**	**8.99**	**6.69**	**6.67**	**12.73**	**12.73**

The volatility assumption was determined on the basis of observation of historical movements in the ARKEMA share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend.

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

The amount of the IFRS2 expense recognized in respect of stock options at 30 June 2011 was €1 million (€1 million at 30 June 2010).

18.2 Free share grants

On 4 May 2011, the Board of Directors decided to put in place three performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group’s results.

In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors’ grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA’s EBITDA for 2011, and the variation in the EBITDA margin compared to a panel of other manufacturers of chemicals.

In Plan 2, intended for certain Group employees, the definitive grant of such performance shares will be subject to a vesting period of 3 years, with effect from the Board of Directors’ grant, and subject to compliance with the same performance criteria.

In Plan 3, intended for Group company employees outside France, the definitive grant of such performance shares will be subject to a vesting period of 4 years, with effect from the Board of Directors’ grant, and subject to compliance with the same performance criteria as in Plans 1 and 2.

The main characteristics of the free share grant plans in force at 30 June 2011 are as follows:

	Plan 2009	Plan 2010-1	Plan 2010-2	Plan 2011-1	Plan 2011-2	Plan 2011-3	
Date of Annual General Meeting	10 May 06	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	12 May 09	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	
Vesting period	2 years	2 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	2 years	-	2 years	2 years		
Performance condition	Yes	Yes [(3)]	Yes [(3)]	Yes [(4)]	Yes [(4)]	Yes [(4)]	
Number of free shares granted	**184,850**	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	
- to corporate officers: Thierry Le Hénaff	14,000	18,800	-	8,200	8,200	-	
- to the 10 largest beneficiaries[(1)]	41,500	54,700	8,100	24,450	24,450	14,850	
Number of free shares							**Total[(5)]**
In circulation at 1 January 2009	-	-	-	-	-	-	304,005
Granted	184,850	-	-	-	-	-	184,850
Cancelled	49,000[(2)]	-	-	-	-	-	90,855
Definitively granted	-	-	-	-	-	-	87,600
In circulation at 31 December 2009	**135,850**	**-**	**-**	-	-	**-**	**310,400**
In circulation at 1 January 2010	135,850	-	-	-	-	-	310,400
Granted	-	153,705	50,795	-	-	-	204,500
Cancelled	2,500	-	638	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**133,350**	**153,705**	**50,157**	-	-	**-**	**337,212**
In circulation at 1 January 2011	133,350	153,705	50,157	-	-	-	337,212
Granted	-	-	-	88,305	59,380	52,315	200,000
Cancelled	1,150	3,220	460	355	355	-	5,540
Definitively granted	132,200	-	-	-	-	-	132,200
In circulation at 30 June 2011	**0**	**150,485**	**49,697**	**87,950**	**59,025**	**52,315**	**399,472**

(1) Employees who are not corporate officers of Arkema SA or any other Group company

(2) Waived by the Chairman and CEO and members of the Executive Committee

(3) Performance conditions do not apply to beneficiaries of less than 100 shares

(4) Performance conditions will apply only to the portion of rights in excess of 80 held under all plans, except for Executive Committee members, all of whose rights will be subject to performance criteria.

(5) The total includes plans dating from before 2009.

The amount of the IFRS2 expense recognized in respect of free shares at 30 June 2011 is €2 million (€1million at 30 June 2010).

19 Off-balance sheet commitments

19.1 Commitments given

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

The main commitments given are summarized in the table below:

In millions of euros	30 June 2011	31 December 2010
Guarantees granted	54	67
Comfort letters	0	0
Contractual guarantees	23	25
Customs and excise guarantees	8	8
Total	**85**	**100**

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

19.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, ARKEMA has signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods of 1 to 20 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 is valued on the basis of the last known prices and amounts to €796 million at 30 June 2011 (see maturity schedule below):

In millions of euros	30 June 2011	31 December 2010
2011	146	198
2012	171	131
2013	97	80
2014	90	74
2015 until expiry of the contracts	292	222
Total	**796**	**705**

- Lease commitments

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

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

	30 June 2011		31 December 2010	
In millions of euros	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2011	1	18	2	32
2012	2	19	2	22
2013	2	18	2	20
2014	2	17	2	18
2015 and beyond	7	66	8	69
Nominal value of future lease payments	**14**	**138**	**16**	**161**
Finance cost	3	NA	3	NA
Present value	**11**	**NA**	**13**	**NA**

NA: not applicable

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

Warranties related to sales of businesses

Sales of businesses sometimes involve the provision of warranties in respect of unrecorded liabilities to the purchaser. ARKEMA sometimes grants 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 €63 million at 30 June 2011 (€64million at 31 December 2010). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

19.1.4 Off balance sheet commitments related to Group financing

These commitments are described in note C15 Debt.

19.2 Commitments received

Commitments received from TOTAL in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described in the notes to the consolidated financial statements for the year ended 31 December 2010 (note C28.2).

20 Subsequent events

On 1 July 2011, ARKEMA finalized its acquisition, for an enterprise value of €550 million, of two of Total's specialty chemicals businesses: coatings resins (Cray Valley and Cook Composites Polymers), and photocure resins (Sartomer) (see note C7 Business combinations).

On 26 July 2011, the Group put in place a new multi-currency syndicated credit facility in the amount of €700 million, with a duration of five years, maturing on 26 July 2016. On 26 July 2011, the Group also reduced the amount of the multi-currency syndicated credit facility set up in 2006 to €300 million (see note C15 Debt).

SCOPE OF CONSOLIDATION AT 30 JUNE 2011

(a) Companies merged in 2011 (b) Companies consolidated for the first time in 2011

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

Company		Country	%	Method
Akishima Chemical Industries Co.Ltd		Japan	100.00	FC
Alphacan		France	100.00	FC
Alphacan BV		Netherlands	100.00	FC
Alphacan Doo		Croatia	100.00	FC
Alphacan SPA		Italy	100.00	FC
Altuglas International Denmark A/S		Denmark	100.00	FC
Altuglas International Ltd		United Kingdom	100.00	FC
Altuglas International Mexico Inc.		United States	100.00	FC
Altuglas International S.A.S.		France	100.00	FC
Altumax Deutschland GmbH	(a)	Germany	100.00	FC
Altumax Europe SAS	(a)	France	100.00	FC
American Acryl LP		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema		France	100.00	FC
Arkema Afrique SAS	(b)	France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie SAS		France	100.00	FC
Arkema Beijing Chemical Co. Ltd		China	100.00	FC
Arkema Canada Inc.		Canada	100.00	FC
Arkema Changshu Chemicals Co. Ltd		China	100.00	FC
Arkema Changshu Fluorochemical Co. Ltd		China	100.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Coatings Resins SAU (ex Alphacan Espana Transformados SAU)		Spain	99.92	FC
Arkema Coatings Resins SRL (ex Altuglas Polivar Spa)		Italy	100.00	FC
Arkema Co. Ltd		Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe		France	100.00	FC
Arkema France		France	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Holdings Ltd		United Kingdom	100.00	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema Inc.		United States	100.00	FC
Arkema Iniciadores SA de CV		Mexico	100.00	FC

Company	Note	Country	%	Method
Arkema KK		Japan	100.00	FC
Arkema Ltd		United Kingdom	100.00	FC
Arkema Ltd		Vietnam	100.00	FC
Arkema Mexico SA de CV		Mexico	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema PEKK Inc (ex Oxford Performance Materials Inc.)		United States	100,00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica Ltda		Brazil	100.00	FC
Arkema Quimica SA		Spain	99.92	FC
Arkema RE Ltd		Ireland	100.00	FC
Arkema RE SA	(b)	France	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema Shanghai Distribution Co. Ltd		China	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Ceca Italiana Srl		Italy	100.00	FC
Ceca SA		France	100.00	FC
Changshu Coatex Additives Co. Ltd		China	100.00	FC
Changshu Haike Chemicals Co. Ltd		China	49.00	FC
Changshu Resichina Engeneering Polymers Co Ltd		China	100.00	FC
Coatex Asia Pacific (ex Coatex Korea)		South Korea	100.00	FC
Coatex Asia Pacific Inc.	(a)	South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd		China	40.00	PC
Delaware Chemicals Corporation		United States	100.00	FC
Dorlyl snc		France	100.00	FC
Febex SA		Switzerland	96.77	FC
Luperox Iniciadores SA de CV		Mexico	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Michelet Finance, Inc.		United States	100.00	FC
Meglas srl		Italy	33.00	EM
MLPC International		France	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Plasgom SAU		Spain	99.92	FC

Qatar Vinyl Company Limited QSC		Qatar	12.91	EM
Résil Belgium		Belgium	100.00	FC
Resilia SRL		Italy	100.00	FC
Resinoplast		France	100.00	FC
Resinoplast North America Srl de CV		Mexico	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co. Ltd		China	93.40	FC
Stannica LLC		United States	50.00	PC
Sunclear SA Espana (ex Plasticos Altumax SA)		Spain	99.92	FC
Sunclear SA France (ex Sunclear France)		France	100.00	FC
Sunclear SRL (ex Altuglas International SRL)		Italy	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinylberre	(a)	France	100.00	FC
Vinylfos		France	100.00	FC

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

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

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30th 2011 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

ARKEMA
The world is our inspiration

Arkema S.A.

Statutory Auditor's Review Report on the first half-year information for 2011 (free translation of the French original)

January 1st to June 30th 2011
Arkema S.A.
420, rue d'Estienne d'Orves - 92700 Colombes
This report contains 3 pages

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Commissaire aux Comptes
Membre de la Compagnie
Régionale de Versailles

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S.A.S. à capital variable

Commissaire aux Comptes
Membre de la Compagnie
Régionale de Versailles

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

Arkema S.A.

Registered office : 420, rue d'Estienne d'Orves - 92700 Colombes

Share capital : €. 618, 438, 270

Statutory Auditors' Review Report on the first half-year financial information for 2011

(free translation of the French original)

January 1st to June 30th 2010

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Arkema S.A. for the period January 1st to June 30th 2011;
- 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.

I - Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with

professional standards applicable in France. Consequently, the assurance, in the context of a review, that the financial statements taken as a whole are free of significant misstatements is a moderate assurance, lower than that given by an audit.

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

II – Specific verification

We have also verified the information given in the half-year management report, commenting the condensed half-year consolidated financial statements subject of our review. We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Paris la Défense, August 1st 2011

The Statutory Auditors

KPMG Audit	Ernst & Young Audit	
Département de KPMG S.A		
Bertrand Desbarrières	François Carrega	Valérie Quint
Partner	Partner	Partner