Société anonyme au capital de 625.388.180 euros
Siège social : 420 rue d'Estienne d'Orves
92700 Colombes
445 074 685 RCS Nanterre

HALF-YEAR FINANCIAL REPORT

First half ended June 30th 2012

ARKEMA
The world is our inspiration

Content

I- Half-year activity report………………………………………………………………………. 3

II- Condensed consolidated interim financial statement at June 30th 2012………………………….. 9

III- Declaration by the person responsible for the half-year financial report………………………… 66

IV- Report from the statutory auditors on condensed consolidated interim financial statement at June 30th 2012 …………………………………………………………………………….. 67

This is a free translation in English of Arkema's half-yer financial report for the 1st half ended June 30th 2012 issued in French and it is provided solely for the convenience of English speaking readers

I- HALF-YEAR ACTIVITY REPORT

I- FIRST HALF 2012 HIGHLIGHTS

1. Development projects

On February 1st 2012, Arkema finalized the acquisition of Chinese companies Hipro Polymers, producer of biosourced specialty polyamides 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used as a raw material for the production of polyamide 10.10. These acquisitions have enabled Arkema to complement its range of biosourced specialty polyamides, boost its presence in Asia, and enhance its positions in green chemistry. These companies reported aggregate sales of US$230 million in 2011.

On February 27th 2012, Arkema announced the establishment of a global partnership with Elevance Renewable Sciences Inc. for the development and production of biosourced specialty polymers. The pooling of Elevance's expertise in the synthesis of biosourced intermediates with Arkema's polymer know-how will help develop a new biosourced specialty polymer integrated activity.

On June 18th 2012, Arkema, Total and Sobegi (a Total and GDF Suez subsidiary) officially inaugurated the « Lacq Cluster Chimie 2030 » project. This project aims to redevelop the site's industrial activity, in particular by extending, over the next 30 years, gas extraction at a lower flow rate in order to supply sulphur raw materials for Arkema's thiochemicals activities. The new installations will be operational from mid-2013. The share of the investment financed by Arkema amounts to €36 million.

On June 28th 2012, Arkema announced a major project for the development of its Kynar® PVDF activity in Europe. Over €70 million are to be invested on the Pierre-Bénite site in France, in particular to increase by 50% the site's production capacity and accommodate the development of its fast-growing markets such as offshore oil extraction, water treatment, lithium-ion batteries, and photovoltaic panels. As part of this project, some investments will also be made on the Saint-Auban site (France). Arkema now ranks as leader in the global PVDF market with a unique industrial presence in the 3 major regions of the world.

2. Other highlights

In April 2012, Arkema successfully conducted its third share capital increase operation reserved for employees. 535,013 shares were subscribed at a price of €54.51 per share, totalling €29.2 million. Employee shareholding nowstands at 5.5%.

On April 26th 2012, Arkema concluded a €230 million bond issue, maturing on April 30th 2020 and with an annual coupon of 3.85%. This operation falls in line with the Group's long-term financing policy to diversify its financing sources and extend their maturity.

II. ANALYSIS OF FINANCIAL RESULTS FOR FIRST HALF 2012

(In millions of euros)	1st half 2012	1st half 2011	Variations in %
Sales	**3,342**	**2,913**	**+15%**
EBITDA	**559**	**610**	**- 8%**
Recurring operating income	**409**	**488**	**-16%**
Other income and expenses	(25)	(9)	
Operating income	**384**	**479**	**-20%**
Adjusted net income of continuing activities	**274**	**373**	**-27%**
Net income – *Group share* of continuing activities	**252**	**365**	**-31%**
Net income – *Group share* of divested activities	**(164)**	**(30)**	
Net income – *Group share*	**88**	**335**	**-74%**
CAPEX	**148**	**100**	**+48%**
Net debt	**1,093** *(30/06/12)*	**603** *(31/12/11)*	**+81%**

The contribution of the vinyl activities, divested on July 3rd 2012, has been presented in accordance with IFRS 5 rules and terms. Income statement items and balance sheet items for this business have been presented on a separate line in the income statement and the balance sheet. However, the cash flow statement includes flows related to the vinyl business concerned.

Sales

Arkema's sales in 1st half 2012 reached €3,342 million, 14.7% up over 1st half 2011. This increase includes the contribution of the acquisition of specialty resins (Cray Valley and Sartomer), alkoxylates, and Chinese companies Hipro Polymers and Casda Biomaterials (+17% scope of business effect). Volumes dropped by -4% compared to 1st half 2011 which represented a very high basis for comparison marked by restocking in several product lines and by an exceptionally strong activity in Asia. Prices fell slightly (-2%), mostly reflecting a return to normalized market conditions in acrylic acid and the expected adjustment of HFC-125 prices in China. In Performance Products however, the price effect was positive thanks to a favorable change in the product mix towards higher added value products. The currency translation effect was positive at +4%.

EBITDA

EBITDA reached €559 million, close to the record level of last year (€610 million). This high performance illustrates the Group's resilience in a more challenging macro-economic environment than last year, marked by mixed market conditions between the various geographic regions of the world and the price fluctuations of raw materials. It reflects the very solid performance of the Group's activities and the contribution from the acquisitions as well as internal growth projects. Industrial Chemicals reported a very strong performance, while Performance Products confirmed the quality of the repositioning of the product portfolio in high added value niches.

EBITDA margin stood at 16.7% of sales (20.9% in 1st half 2010), confirming the positioning of Arkema's product lines in high added value specialty activities.

Operating income

Operating income reached €384 million against €479 million in 1st half 2011. It includes €150 million depreciation and amortization, €28 million up on 1st half 2011 due primarily to acquisitions. Other income and expenses stood at -€25 million (-€9 million in 1st half 2011), corresponding mainly to the impact of the shortage in the supply of CDT (raw material of polyamide 12) following the accident at the Evonik site in Marl (Germany), totalling -€16 million, and to various charges related to divestment and acquisition operations.

Net income, Group share, of continuing activities

Net income, Group share, of continuing activities stood at €252 million against €365 million in 1st half 2011. This includes a €112 million tax charge representing 27.4% of recurring operating income.

Net income, Group share, of discontinued activities

Net income, Group share, of discontinued activities stood at -€164 million (see paragraph on vinyl activities).

Net income, Group share

Consequently, net income, Group share, stood at €88million.

Segment performance

Industrial Chemicals sales rose by 15.4% to €2,224 million against €1,927 million in 1st half 2011. This increase mainly reflects the contribution of specialty resins which joined the Group on July 1st 2011. Volumes were down compared to 1st half 2011, which represents a very high basis for comparison, marked by restocking and exceptional demand in Asia. In a context of highly volatile raw material costs, prices were down compared to the peaks reached in 1st half 2011. Finally, the strengthening of the US dollar versus the euro had a positive effect.

At €378 million and a 17.0% margin, EBITDA reflects the excellent resilience of the segment's activities in a significantly more challenging market environment than in 1st half 2011. Unit margins for acrylic acid stood at a mid-cycle point, in line with the assumption made for 2012. Specialty acrylics (Sartomer, Coatex) reported an excellent performance thanks to their positioning in growing niche applications. Demand for decorative paints remained disappointing in Europe and in North America. Fluorogases generated good results despite rather more normalized margins on HFC-125 in China and moderate volumes.

Demand remained favorable in Thiochemicals, for example in animal feed, and PMMA benefited from a healthy automotive market in the United States.

Performance Products sales rose by 13.4% to €1,106 million, against €976 million in 1st half 2011. This improvement reflects the impact of acquisitions (alkoxylates from Seppic, and bio-sourced PA10.10 business from Hipro and Casda), as well as a positive price effect, reflecting the positioning of Technical Polymers in higher added value applications and a favorable product mix in Specialty Chemicals. Volumes recorded a slight decline compared to last year's peak. The currency translation effect was positive due to the rise in the US dollar versus the euro.

EBITDA rose to a new record of €211 million, 22% up on 1st half 2011. This excellent performance reflects the successful strategy of the positioning strategy for the segment's activities in high added value niche applications such as deep offshore oil exploration, biopolymers, and metal substitution in vehicles, as well as developments in Asia. The activities acquired recently (alkoxylates and Chinese companies Hipro and Casda) made a noticeable contribution to the segment's performance.

EBITDA margin reached a very high 19.1%, against 17.7% in 1st half 2011.

Vinyl Products activities concerned by a divestment project

On July 3rd, Arkema completed the divestment of the vinyl business, which generated annual sales of €1 billion. Net income for these activities stood at -€164 million in 1st half, and included:
- the -€70 million net income of the activity, which reflects in part the ongoing sluggish environment in the European construction market, as well as the complexity of managing in parallel a major divestment project and day-to-day operations;
- the impact of the implementation of the warranties negotiated during the workers councils information / consultation process, amounting to -€33 million;
- the cost of establishing the business into a self-sufficient structure (information systems, legal and accounting costs related to the transfer of activities, etc.) amounting to -€34 million;
- post-closing adjustments of -€27 million, related in particular to additional write-offs corresponding to changes in working capital since the beginning of the year.

Cash flow

Over the 1st half of 2012, free cash flow for the continuing activities stood at -€23 million against -€29 million in 1st half 2011. This flow includes a -€190 million variation in working capital related to the traditional increase in sales in the first half of the year. It also includes non-recurring items amounting to -€67 million corresponding in particular to investments in Thiochemicals (platform under construction in Malaysia and Lacq 2014 project) and the consequences of the force majeure declared in polyamide 12.

Recurring capex stood at €148 million, in line with the €350 million annual target.

After taking into account the impact of divestments and acquisitions and primarily the acquisition of Hipro Polymers and Casda Biomaterials, net cash flow for the continuing activities stood at -€246 million.

Net debt

Net debt stood at €1,093 million at June 30th 2012 against €603 million at December 31st 2011, i.e. 49% gearing. It includes the payment in June of a €1.30 dividend per share, totalling

€81 million, the share capital increase operation reserved for employees amounting to €29 million in total, and a €13 million share buyback operation. The net debt amount will benefit from the gradual and traditional decrease in working capital, as with every year in the second half of the year. The Group's objective is to return to gearing of around 40%.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in note 18 to the condensed consolidated financial statements as at June 30th 2012.

IV. HIGHLIGHTS SINCE 30TH JUNE 2012

On July 3rd 2012, Arkema completed the divestment announced in November 2011 of its Vinyl Products segment to the Klesch Group. This marks a major step forward in Arkema's transformation, and confirms its ambition to become one of the world leaders in specialty chemicals.

On July 10th 2012, Arkema announced a project for the sale of its tin stabilizer business. Based on tin chemistry, these products are used mostly in PVC production, much of which for the construction sector. This activity, which is currently part of the Functional Additives BU, concerns 234 employees and 4 production sites around the world, and reports sales of the order of €180 million. This operation, due to be completed in the fall of 2012, is subject to the trade unions information and consultation process and to approval by the relevant antitrust authorities.

On July 16th 2012, Arkema announced a project for the acquisition of an acrylic specialties production site from Brazilian company Resicryl. This project illustrates the Group's commitment to speeding up its development in Latin America around high added value products. On completion of the deal in 2nd half of 2012, Coatex should achieve sales in Brazil of the order of US$20 million.

V. 2012 OUTLOOK

The Group will continue to carefully monitor the changes in the macro-economic environment which remains uncertain, marked by the challenging situation in a number of countries, in particular in Europe, and by high volatility, for example in raw materials and exchange rates.

In this environment, Arkema will continue to give priority to its internal dynamics, to reinforcing its positioning in specialty niches, and to industrial capital expenditure in higher growth product lines and countries.

While remaining cautious about changes in the macro-economic environment, and assuming continuity with the 1st half of the year, Arkema confirms its confidence in its ability to deliver a very solid year in 2012, and should achieve an EBITDA close to €1 billion.

Beyond this, Arkema aims to achieve €8 billion sales and €1,250 million EBITDA by 2016.

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 2011 Reference Document filed with the *Autorité des marchés financiers* (« AMF ») on April 4th 2012 under number D.12-0280. This document is available on Arkema's website under the heading « Investor Relations » (www.finance.arkema.com) and on the AMF website (www.amf-france.org). Additionally, an update of contingent liabilities, where applicable, is given in a note to the half-year financial statements.

II. CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2012

CONSOLIDATED INCOME STATEMENT 11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME 12

CONSOLIDATED BALANCE SHEET 13

CONSOLIDATED CASH FLOW STATEMENT 14

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY 15

A. HIGLIGHTS 16

B. ACCOUNTING POLICIES 17

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 32

1 Impact of seasonality 32

2 Information by business segment 32

3 Information by geographical area 34

4 Other income and expenses 34

5 Adjusted net income 35

6 Income taxes 35

7 Business combinations 35

8 Discontinued operations and assets held for sale 37

9 Earnings per share 38

10 Intangible assets 39

11 Property, plant & equipment 40

12 Inventories 40

13 Shareholders' equity 41

14 Provisions and other non-current liabilities 41

15 Liabilities and contingent liabilities 43

16 Debt 51

17 Management of risks related to financial assets and liabilities 53

18 Related parties 55

19 Share-based payments 56

20 Off-balance sheet commitments 60

21 Subsequent events 62

SCOPE OF CONSOLIDATION AT 30 JUNE 2012 63

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	**1st half 2012**	**1st half 2011**
Sales	(C2&C3)	**3,342**	**2,913**
Operating expenses		(2,645)	(2,187)
Research and development expenses		(74)	(64)
Selling and administrative expenses		(214)	(174)
Recurring operating income	(C2)	**409**	**488**
Other income and expenses	(C4)	(25)	(9)
Operating income	(C2)	**384**	**479**
Equity in income of affiliates		6	10
Financial result		(25)	(12)
Income taxes	(C6)	(112)	(109)
Net income of continuing operations		**253**	**368**
Net income of discontinued operations	(C8)	(164)	(30)
Net income		**89**	**338**
Of which: non-controlling interests		1	3
Net income - Group share	(C5)	**88**	**335**
Of which: continuing operations		**252**	**365**
Of which: discontinued operations	(C8)	**(164)**	**(30)**
Earnings per share (amount in euros)	(C9)	*1.42*	*5.45*
Earnings per share of continuing operations (amount in euros)	(C9)	*4.07*	*5.93*
Diluted earnings per share (amount in euros)	(C9)	*1.40*	*5.38*
Diluted earnings per share of continuing operations (amount in euros)	(C9)	*4.02*	*5.86*
Depreciation and amortization	(C2)	(150)	(122)
EBITDA *	(C2)	559	610
Adjusted net income		208	344
Adjusted net income of continuing operations *	(C5)	274	373
Adjusted net income per share of continuing operations (amount in euros)	(C9)	*4.42*	*6.06*
Diluted adjusted net income per share of continuing operations (amount in euros)	(C9)	*4.37*	*5.99*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	1st half 2012	1st half 2011
Net income	**89**	**338**
Hedging adjustments	(6)	13
Deferred taxes on hedging adjustments	-	1
Actuarial gains and losses	(44)	17
Deferred taxes on actuarial gains and losses	9	(5)
Other items	-	-
Deferred taxes on other items	-	-
Change in translation adjustments	40	(69)
Other comprehensive income of continuing operations	**(1)**	**(43)**
Other comprehensive income of discontinued operations	(5)	(1)
Total income and expenses recognized directly in equity	**(6)**	**(44)**
Comprehensive income	**83**	**294**
Of which: non-controlling interests	1	2
Comprehensive income – Group share	**82**	**292**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	**30 June 2012**	**31 December 2011**
ASSETS			
Intangible assets, net	(C10)	962	777
Property, plant and equipment, net	(C11)	1,808	1,706
Equity affiliates: investments and loans		68	66
Other investments		34	35
Deferred tax assets		63	66
Other non-current assets		126	109
TOTAL NON-CURRENT ASSETS		**3,061**	**2,759**
Inventories	(C12)	1,039	945
Accounts receivable		1,068	834
Other receivables and prepaid expenses		131	117
Income taxes recoverable		26	36
Other current financial assets		3	9
Cash and cash equivalents		107	252
TOTAL CURRENT ASSETS		**2,374**	**2,193**
Assets held for sale	(C8)	424	380
TOTAL ASSETS		**5,859**	**5,332**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	(C13)	625	619
Paid-in surplus and retained earnings		1,469	1,484
Treasury shares		(16)	(10)
Translation adjustments		137	97
SHAREHOLDERS' EQUITY - GROUP SHARE		**2,215**	**2,190**
Non-controlling interests		28	27
TOTAL SHAREHOLDERS' EQUITY		**2,243**	**2,217**
Deferred tax liabilities		33	35
Provisions and other non-current liabilities	(C14)	811	791
Non-current debt	(C16)	812	583
TOTAL NON-CURRENT LIABILITIES		**1,656**	**1,409**
Accounts payable		754	665
Other creditors and accrued liabilities		267	265
Income taxes payable		53	39
Other current financial liabilities		3	12
Current debt	(C16)	388	272
TOTAL CURRENT LIABILITIES		**1,465**	**1,253**
Liabilities associated with assets held for sale	(C8)	495	453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,859**	**5,332**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**1st half 2012**	**1st half 2011**
Net income	89	338
Depreciation, amortization and impairment of assets	188	144
Provisions, valuation allowances and deferred taxes	14	(16)
(Gains)/losses on sales of assets	(10)	(3)
Undistributed affiliate equity earnings	3	(1)
Change in working capital	(209)	(431)
Other changes	3	3
Cash flow from operating activities	**78**	**34**
Of which: Cash flow from operating activities of discontinued operations	**(123)**	**(61)**
Intangible assets and property, plant, and equipment additions	(217)	(138)
Change in fixed asset payables	(32)	(35)
Acquisitions of operations, net of cash acquired	(243)	(6)
Increase in long-term loans	(25)	(18)
Total expenditures	(517)	(197)
Proceeds from sale of intangible assets and property, plant, and equipment	13	7
Change in fixed asset receivables	-	2
Proceeds from sale of operations, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	8	7
Total divestitures	21	16
Cash flow from investing activities	**(496)**	**(181)**
Of which: Cash flow from investing activities of discontinued operations	**(48)**	**(41)**
Issuance (repayment) of shares and other equity	33	9
Purchase of treasury shares	(13)	-
Dividends paid to parent company shareholders	(81)	(61)
Dividends paid to minority shareholders	(1)	-
Increase / decrease in long-term debt	226	14
Increase / decrease in short-term borrowings and bank overdrafts	106	187
Cash flow from financing activities	**270**	**149**
Net increase/(decrease) in cash and cash equivalents	(148)	2
Effect of exchange rates and changes in scope	1	20
Cash and cash equivalents at beginning of period	254	527
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**107**	**549**
Of which: Cash and cash equivalents of discontinued operations	**-**	**2**

At 30 June 2012, income taxes paid amount to €83 million (€93 million at 30 June 2011).

Interest received and paid included in cash flow from operating activities at 30 June 2012 amount, respectively, to €1 million and €7 million (€3 million and €3 million respectively at 30 June 2011).

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 2012	**61,864,577**	**619**	**1,021**	**463**	**97**	**(214,080)**	**(10)**	**2,190**	**27**	**2,217**
Cash dividend	-	-	(81)	-	-	-	-	(81)	(1)	(82)
Issuance of share capital	674,241	6	28	-	-	-	-	34	-	34
Purchase of treasury shares	-	-	-	-	-	(250,000)	(13)	(13)	-	(13)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(7)	-	150,035	7	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	5	-	-	-	5	-	5
Other	-	-	-	(2)	-	-	-	(2)	1	(1)
Transactions with shareholders	**674,241**	**6**	**(53)**	**(4)**	**-**	**(99,965)**	**(6)**	**(57)**	**-**	**(57)**
Net income	-	-	-	88	-	-	-	88	1	89
Total income and expenses recognized directly in equity	-	-	-	(46)	40	-	-	(6)	-	(6)
Comprehensive income	**-**	-	-	42	40	-	-	**82**	**1**	**83**
At 30 June 2012	**62,538,818**	**625**	**968**	**501**	**137**	**(314,045)**	**(16)**	**2,215**	**28**	**2,243**

	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
Total income and expenses recognized directly in equity	-	-	-	26	(69)	-	-	(43)	(1)	(44)
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**

A. HIGLIGHTS

1 Acquisitions and divestments

On 1 February 2012, ARKEMA acquired two Chinese companies: Hipro Polymers, a fast-expanding producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used as a raw material in manufacturing these polyamides 10.10. Through these acquisitions, ARKEMA can complete its range of specialty biosourced polyamides, strengthen its presence in Asia and expand its positions in green chemicals. Their impact on the financial statements is presented in note C7 Business combinations.

As part of the move to refocus on its specialty chemicals activities, on 23 November 2011 ARKEMA announced a project to dispose of its vinyls activities to the Klesch Group. These activities generate annual sales of approximately €1 billion. The operation took place on 3 July 2012 with effect from 1 July. During the first half-year, balance sheet, income statement and cash flow items relating to these activities have been classified as discontinued operations: details are given in note C8 Discontinued operations and assets held for sale.

2 Other highlights

On 6 April 2012, ARKEMA had to declare itself in a situation of force majeure on its polyamides 12 chain following the incident in late March at Evonik's Marl site in Germany, which produces CDT, a raw material used in production of polyamide 12. In view of the insurance coverage subscribed by the Group, the impact should remain limited to an exceptional expense of approximately €17 million, of which an amount of €16 million was recorded in the 2nd quarter of 2012 (see note C4 Other income and expenses).

In April 2012, ARKEMA carried out its third capital increase reserved to employees, totalling €29.2 million. 535,013 shares were subscribed at the price of €54.51 per share, which is the average opening market price of the ARKEMA share on the Paris stock exchange in the 20 trading days preceding the Board of Directors' meeting of 7 March 2012 which set the price, less a discount of 20%.

On 26 April 2012, ARKEMA placed a €230 million bond that will mature on 30 April 2020, with an annual coupon of 3.85%. ARKEMA is thus continuing to diversify its sources of financing and extend the maturity of its debt in favourable market conditions.

B. ACCOUNTING POLICIES

ARKEMA is a global chemicals player, with two business segments: 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 2012 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 31 July 2012.

The condensed consolidated interim financial statements at 30 June 2012 were prepared in compliance with IAS 34 "Interim financial reporting" and established in accordance with IFRS (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and the IFRS adopted by the European Union at 30 June 2012. 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 2011.
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_en.htm.*

The accounting policies applied in preparing the condensed consolidated interim financial statements at 30 June 2012 are identical to those used in the consolidated financial statements at 31 December 2011, 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 2012 (and which had not been applied early by the Group), namely:

Standards	Title
Amendment to IFRS 7	Disclosures – Transfers of Financial Assets

The application of this amendment 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 IFRS IC (IFRS Interpretations Committee) which were not yet in force at 1 January 2012 and have not been applied early by the Group, is currently being analyzed. The following texts are involved:

Amendments to IFRS 1	First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	Not adopted by the European Union at 30 June 2012
Amendments to IFRS 1	Government loans	Not adopted by the European Union at 30 June 2012
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities	Not adopted by the European Union at 30 June 2012
Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 30 June 2012
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition guidance for IFRS 10, IFRS 11 and IFRS 12	Not adopted by the European Union at 30 June 2012
IFRS 9	Financial instruments	Not adopted by the European Union at 30 June 2012
IFRS 10	Consolidated financial statements	Not adopted by the European Union at 30 June 2012
IFRS 11	Joint arrangements	Not adopted by the European Union at 30 June 2012
IFRS 12	Disclosure of interests in other entities	Not adopted by the European Union at 30 June 2012
IFRS 13	Fair value measurement	Not adopted by the European Union at 30 June 2012
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income (OCI)	Adopted by the European Union at 5 June 2012
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets	Not adopted by the European Union at 30 June 2012
IAS 19 (Revised)	Employee benefits	Adopted by the European Union at 5 June 2012
IAS 27 (Revised)	Separate financial statements	Not adopted by the European Union at 30 June 2012
IAS 28 (Revised)	Investments in associates and joint ventures	Not adopted by the European Union at 30 June 2012
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	Not adopted by the European Union at 30 June 2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Not adopted by the European Union at 30 June 2012
	Annual improvements to IFRS (published in May 2012)	Not adopted by the European Union at 30 June 2012

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 on favourable terms, 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 IFRS IC 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 B4.3).

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 when any indication of impairment is identified, and no less than each year-end.
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 2011, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5% (the same rate as used in 2010). An after-tax rate of 8% is used to discount future cash flows and the terminal value in 2011 (7.5% 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 principally comprise:

- 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 "Total income and expenses recognized directly in equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating 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 "Total income and expenses recognized directly in 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 these third parties; 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 C15 Liabilities and 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 “Total income and expenses recognized directly in 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 C14.2 Provisions and other non-current liabilities/Provisions).

11 Greenhouse gas emissions allowances (EUAs) and certified emission reductions (CERs)

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 IFRS IC 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.
Since assets held for sale, the associated liabilities and the income from discontinued operations in the Vinyl Products segment are now reported under "Discontinued operations", in compliance with IFRS 5, ARKEMA now has two

business segments: Industrial Chemicals and Performance Products. Activities at the Jarrie and Saint Auban sites (Arkema France) to be retained by the Group are included in the Industrial Chemicals segment. The directors of the operational segments report directly to the Chairman and CEO, the Group's chief operating decision-maker as defined by IFRS 8, and are in regular contact with him for the purpose of discussing their segments' operating activity, financial results, forecasts and plans.

- Industrial Chemicals brings together the following business units: Acrylics, Specialty Acrylic Polymers, Coatings resins, Photocure resins, PMMA, Thiochemicals, Fluorochemicals and Hydrogen Peroxide.
  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 (photovoltaics, lithium-ion batteries), cosmetics to medical equipment, construction to household electrical goods and water treatment.

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 IFRS2 "Share-based payments", the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors' meeting that 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 average 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.
In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations":

- assets held for sale and related liabilities are presented on two specific lines of the balance sheet, without offsetting,
- a single amount, comprising the total profit or loss after taxes of discontinued operations, is reported in the income statement for the current period and the previous period,
- the Group's cash flow statement reports flows related to discontinued operations separately, except for cash flows related to financing if they cannot be identified separately for sales of assets,
- no further depreciation or amortization is recorded on depreciable/amortizable assets once they are classified as held for sale.

Assets held for sale net of the associated liabilities are measured and recognized at the lower of net book value and market value less costs necessary to complete the sale. Any losses are charged to income from discontinued operations.
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 period, with comparatives for the previous period.

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 on favourable terms 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 generally observed during these periods in a certain number of countries including France;
- in some of ARKEMA's businesses, particularly those serving the paints, coatings and refrigeration 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. However, the second quarter of 2012 saw a particularly large number of maintenance turnarounds, involving temporary shutdowns at Bayport (US) concerning Acryclics, Marseille (France) concerning Polyamides and Lacq (France) and Beaumont (US) concerning Thiochemicals.

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 of continuing operations are allocated between business segments prior to inter-segment adjustments. Sales prices between segments approximate market prices.

1st half 2012 *(In millions of euros)*	Industrial Chemicals	Performance Products	Corporate	**Total**
Non-Group sales	2,224	1,106	12	**3,342**
Inter segment sales	114	12	-	
Total sales	**2,338**	**1,118**	**12**	
Recurring operating income	**282**	**158**	**(31)**	**409**
Other income and expenses	1	(25)	(1)	(25)
Operating income	**283**	**133**	**(32)**	**384**
Equity in income of affiliates	-	-	6	6
Details of certain significant non-cash expenses by segment:				
Depreciation and amortization	(96)	(53)	(1)	(150)
Asset impairment charges	(2)	(5)	-	(7)
Provisions	22	(2)	23	43
EBITDA	**378**	**211**	**(30)**	**559**
Intangible assets and property, plant, and equipment additions	123	49	8	180
Of which additions of an exceptional nature	31	-	1	32

1st half 2011 *(In millions of euros)*	Industrial Chemicals	Performance Products	Corporate	**Total**
Non-Group sales	1,927	976	10	**2,913**
Inter segment sales	95	10	-	
Total sales	**2,022**	**986**	**10**	
Recurring operating income	**378**	**127**	**(17)**	**488**
Other income and expenses	(6)	-	(3)	(9)
Operating income	**372**	**127**	**(20)**	**479**
Equity in income of affiliates	-	1	9	10
Details of certain significant non-cash expenses by segment:				
Depreciation and amortization	(75)	(46)	(1)	(122)
Asset impairment charges	-	-	-	**-**
Provisions	10	(3)	6	13
EBITDA	**453**	**173**	**(16)**	**610**
Intangible assets and property, plant, and equipment additions	57	43	8	108
Of which additions of an exceptional nature	8	-	-	8

3 Information by geographical area

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

1st half 2012 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	328	1,018	1,160	674	162	3,342

1st half 2011 *(In millions of euros)*	France	Rest of Europe	NAFTA [1]	Asia	Rest of the world	Total
Non-Group sales	325	876	981	627	104	2,913

[1] NAFTA: United States, Canada, Mexico

4 Other income and expenses

(In millions of euros)	1st half 2012			1st half 2011		
	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	(3)	1	(2)	(3)	-	(3)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	-	-	-	-	-	-
Litigation and claims	(16)	2	(14)	-	-	-
Gains (losses) on sales and purchases of assets	(11)	2	(9)	(6)	-	(6)
Other	-	-	-	-	-	-
Total other income and expenses	**(30)**	**5**	**(25)**	**(9)**	**-**	**(9)**

In the first half of 2012, litigation and claims mainly concern operating losses associated with the incident that occurred at one of the Evonik sites. Gains and losses on sales and purchases of assets include acquisition and selling costs, gains on sales and the difference between the fair value of inventories at acquisition date and their production cost.

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.

5 Adjusted net income

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

(In millions of euros)	Notes	1st half 2012	1st half 2011
Net income - Group share		**88**	**335**
Other income and expenses	(C4)	25	9
Taxes on other income and expenses		(3)	(1)
Non-current taxation		-	-
Net income of discontinued operations	(C8)	164	30
Adjusted net income of continuing operations		**274**	**373**

6 Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	1st half 2012	1st half 2011
Current income taxes	(107)	(107)
Deferred income taxes	(5)	(2)
Total income taxes	**(112)**	**(109)**

The income tax expense amounts to €112 million at 30 June 2012, including €6 million for the CVAE (compared with €109 million at 30 June 2011, including €7 million for the CVAE).

7 Business combinations

ARKEMA has finalized allocation of the acquisition price for the Total resins businesses and Seppic's specialty alkoxylate business, leading to adjustment of the associated goodwill; see note C10 Intangible assets.

On 1 February 2012, ARKEMA completed acquisition of two Chinese companies: Hipro Polymers, a fast-expanding producer of biosourced polyamide 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used in particular to manufacture these polyamides 10.10. The acquisition price is based on an enterprise value of US$ 365 million for 100% of the capital of both companies.

(In millions of euros)	Fair value of Hipro Polymers and Casda Biomaterials acquired
Intangible assets	15
Property, plant and equipment	44
Deferred tax asset	-
Other non-current assets	-
Total non-current assets	**59**
Inventories	18
Accounts receivable	14
Other receivables	2
Cash and cash equivalents	15
Total current assets	**49**
TOTAL ASSETS	**108**
Deferred tax liabilities	-
Provisions and other non-current liabilities	2
Total non-current liabilities	**2**
Accounts payable	8
Other current liabilities	5
Current debt	13
Total current liabilities	**26**
TOTAL LIABILITIES	**28**
Fair value of net assets	**80**
Goodwill	**174**

The values assigned to the assets, liabilities and contingent liabilities acquired are provisional.

Recognition of this operation will be finalized within 12 months of the acquisition date.

Goodwill results mainly from expected development synergies and the businesses' potential for growth.

The expenses incurred were recorded in expenses for a total €1 million (see note C4 Other income and expenses).

8 Discontinued operations and assets held for sale

8.1 Income statement

The consolidated income statement for the vinyls activity is as follows:

(In millions of euros)	1st half 2012	1st half 2011
Sales	**548**	**593**
Recurring operating income	**(62)**	**(24)**
Other income and expenses	(95)	(1)
Operating income	**(157)**	**(25)**
Financial result	(5)	(1)
Income taxes	(2)	(4)
Net income of discontinued operations	**(164)**	**(30)**
Of which: non-controlling interests	-	-
Net income - Group share	**(164)**	**(30)**
Depreciation and amortization	-	(21)
EBITDA *	(62)	(3)

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

The divestment of the Vinyl Products segment is reflected in the first half of 2012 in an additional expense of €98 million, comprising:

- €95 million in other income and expenses, including €71 million in the form of a provision for expenses;
- €3 million in financial result.

8.2 Balance sheet

The balance sheet items classified as assets held for sale are the following:

(In millions of euros)	30 June 2012	31 December 2011
Non-current assets	8	1
Current assets	416	379
Assets held for sale	**424**	**380**
Non-current liabilities	259	215
Current liabilities	236	238
Liabilities associated with assets held for sale	**495**	**453**

In application of IFRS 5, in order to adjust the value of non-current assets to market value, impairment of €31 million was recorded at 30 June 2012 in respect of investments undertaken in the period. The €28 million provision for risks established at 31 December was reversed.

At 31 December 2011, impairment of €264 million and a provision for risk of €151 million were recorded

8.3 Cash flow statement

(In millions of euros)	1st half 2012	1st half 2011
Net income	(164)	(30)
Depreciation, amortization and impairment of assets	31	21
Provisions, valuation allowances and deferred taxes	43	(3)
(Gains)/losses on sales of assets	-	(2)
Change in working capital	(33)	(47)
Cash flow from operating activities	**(123)**	**(61)**
Cash flow from net investments	**(48)**	**(41)**

9 Earnings per share

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

	1st half 2012	1st half 2011
Weighted average number of ordinary shares	61,954,600	61,520,842
Dilutive effect of stock options	544,703	666,976
Dilutive effect of free share grants	164,534	99,558
Weighted average number of potential ordinary shares	62,663,837	62,287,376

Earnings per share is determined below:

	1st half 2012	1st half 2011
Earnings per share (€)	1.42	5.45
Diluted earnings per share (€)	1.40	5.38
Earnings per share of continuing operations (€)	4.07	5.93
Diluted earnings per share of continuing operations (€)	4.02	5.86
Earnings per share of discontinued operations (€)	(2.65)	(0.48)
Diluted earnings per share of discontinued operations (€)	(2.62)	(0.48)
Adjusted net income per share (€)	3.36	5.59
Diluted adjusted net income per share (€)	3.32	5.52
Adjusted net income per share of continuing operations (€)	4.42	6.06
Diluted adjusted net income per share of continuing operations (€)	4.37	5.99

At 30 June 2012, all outstanding stock option plans had a dilutive effect, except for the plans awarded in 2011 which were ultimately non-dilutive.

10 Intangible assets

(In millions of euros)	30 June 2012 Gross book value	 Accumulated amortization and impairment	 Net book value	31 December 2011 Net book value
Goodwill	1,121	(443)	678	467
Other intangible assets	726	(442)	284	310
Total	**1,847**	**(885)**	**962**	**777**

The change in goodwill during the half-year essentially corresponds to:

- acquisition of Hipro Polymers and Casda Biomaterials (€174 million), see note C7 Business combinations,
- acquisition of Seppic's specialty alkoxylate business (€2 million),
- finalization of acquisition of Total's resins businesses (€31 million), mainly as a result of reclassification of know-how as goodwill.

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

(In millions of euros)	30 June 2012	31 December 2011
Net book value		
At 1 January	**777**	**494**
Acquisitions	15	43
Amortization and impairment	(15)	(24)
Disposals	0	0
Changes in scope	177	238
Translation adjustments	7	17
Reclassifications	1	12
Assets held for sale	0	(3)
At end of period	**962**	**777**

11 Property, plant & equipment

(In millions of euros)	30 June 2012 Gross book value	30 June 2012 Accumulated depreciation and impairment	30 June 2012 Net book value	31 December 2011 Net book value
Land and buildings	1,334	(865)	469	455
Complex industrial facilities	2,960	(2,346)	614	566
Other property, plant and equipment	1,734	(1,295)	439	444
Construction in progress	287	(1)	286	241
Total	**6,315**	**(4,507)**	**1,808**	**1,706**

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

(In millions of euros)	30 June 2012	31 December 2011
Net book value		
At 1 January	**1,706**	**1,703**
Acquisitions	202	381
Depreciation and impairment	(142)	(304)
Disposals	(2)	(5)
Changes in scope	59	162
Translation adjustments	23	40
Reclassifications	(2)	(10)
Assets held for sale	(36)	(261)
At end of period	**1,808**	**1,706**

12 Inventories

The gross amount of the Group's inventories declined from €1,015 million at 31 December 2011 to €1,106 million at 30 June 2012.

In the first half of 2012, the Group recognized a net increase of €3 million in impairment of inventories. This compared to a net increase of €4 million in impairment of inventories in the first half of 2011.

The net value of inventories reclassified as assets held for sale is €163 million at 30 June 2012 (€142 million at 31 December 2011).

13 Shareholders' equity

At 31 December 2011, Arkema S.A.'s share capital amounted to €619 million and was composed of 61,864,577 shares with a nominal value of 10 euros.

On 18 April 2012, the Group carried out a capital increase reserved to Group employees: 535,013 shares were subscribed at a price of €54.51 per share set by the Board of Directors in its meeting of 7 March 2012.
The Company carried out a capital increase of €1 million following the exercise of 139,228 stock options. Following these two operations, Arkema S.A.'s share capital was increased to €625 million divided into 62,538,818 shares.
During the first half of 2012, the Company allocated 150,035 shares to employees.
The Annual General Meeting of 23 May 2012 adopted a resolution proposing to distribute a dividend of €1.30 per share, or a total amount of €81 million, in respect of the 2011 financial year.

14 Provisions and other non-current liabilities

14.1 Other non-current liabilities

Other non-current liabilities amount to €47 million at 30 June 2012 as against €41 million at 31 December 2011.

14.2 Provisions

(In millions of euros)	Pensions and other employee benefit obligations	Environmental contingencies	Restructuring	Other	Total
At 31 December 2011	**355**	**189**	**72**	**134**	**750**
Increases in provisions	20	-	6	7	33
Reversals from provisions on use	(21)	(6)	(16)	(18)	(61)
Reversals of unused provisions	-	-	-	(5)	(5)
Changes in scope	-	-	-	1	1
Translation adjustments	4	2	1	1	8
Other (1)	42	-	-	-	42
Liabilities associated with assets held for sale (2)	(4)	-	-	-	(4)
At 30 June 2012	**396**	**185**	**63**	**120**	**764**

(1) "Other" includes actuarial gains and losses for the period
(2) See note C8 Discontinued operations and assets held for sale

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 2012	**396**	**185**	**63**	**120**	**764**
Portion of provisions covered by receivables or deposits	**-**	**38**	**-**	**1**	**39**
Deferred tax asset related to amounts covered by the Total indemnity	-	22	-	-	22
Net pension assets	**1**	**-**	**-**	**-**	**1**
Provisions at 30 June 2012 net of non-current assets	**395**	**125**	**63**	**119**	**702**

14.3 Provisions for pensions and similar benefits

At 30 June 2012, provisions for pensions and similar benefits are comprised of pension benefit obligations for €293 million (€262 million at 31 December 2011), healthcare plans for €60 million (€56 million at 31 December 2011), long-service awards for €35 million (€33 million at 31 December 2011) and Group pre-retirement plans for €8 million (€4 million at 31 December 2011).

ARKEMA applied the following discount rates:

Pension benefit and healthcare plan commitments	France	UK	Rest of Europe	USA
At 30 June 2012	3.40%	4.25%	3.40%	4.25%
At 31 December 2011	4.35%	5.00%	4.35%	4.85%

Long-service awards	Europe
At 30 June 2012	3.00%
At 31 December 2011	4.00%

The present value of defined benefit obligations at the end of 2011 was adjusted at 30 June 2012 on the basis of sensitivity analysis tables prepared by the Group’s external actuaries in the context of the full year 2011 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets was also reassessed on the basis of new valuations at 30 June 2012.

The changes in discount rates and the remeasurement of plan assets have the following effects at 30 June 2012:

(In millions of euros)	Change in discount rates	Remeasurement of plan assets
Actuarial gains and losses recognized in shareholders' equity, net of deferred taxes		
Actuarial gain (loss) related to pensions and healthcare plans	(40)	7
Benefit obligations recognized in balance sheet liabilities		
Pension and other long-term benefits	56	(10)
Income or expenses recognized in the income statement		
Other employee benefits	(3)	-

14.4 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 €84 million (€85 million at 31 December 2011)
- in the United States for €79 million (€81 million at 31 December 2011), of which €60 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 €38 million and €22 million of deferred taxes) (see note C20.2 Off-balance sheet commitments/Commitments received).

14.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €53 million (€64 million at 31 December 2011).

15 Liabilities and contingent liabilities

15.1 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.

The legal proceedings against Arkema France before the Nanterre correctional court regarding the Saint-Auban site are now closed: Arkema France was ordered by Nanterre court on 9 March 2012 to pay a fine of €30,000 for pollution of the Durance, €15,000 in damages to the associations inthe opposing party and €10,000 compensation for moral prejudice.

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.

15.2 Litigation, claims and proceedings in progress

15.2.1 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 C29 “Off-balance sheet commitments”, to the consolidated financial statements at 31 December 2011, which can be found in Chapter 20 of ARKEMA’s 2011 Reference Document.

Proceedings carried out by the European Commission

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.

In addition, 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.

The hydrogen peroxide proceedings against Arkema France initiated by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA before the Dortmund (Germany) Tribunal is still pending.

The same applies to the claim concerning sodium chlorate brought before the Amsterdam court by an affiliate of CDC (CDC Project 13 S.A.).

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 relevant jurisdictions 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, the federal court denied the plaintiffs' request for class certification. During the third quarter of 2011, Arkema Inc. reached a final settlement with the individual plaintiffs. In the plastics additives direct purchaser class action before the federal court, the plaintiffs voluntarily ceased their action against Arkema Inc. during the third quarter of 2011, such that the case is now closed to appeal before the courts. In the plastics additives direct purchaser action in California, the court of first instance gave final approval to the settlement reached between the purchasers and ARKEMA, and the case is no longer open to appeal.

During the first quarter of 2010, Arkema Inc. reached a settlement with the indirect purchasers of hydrogen peroxide from five American states which had initiated class action, in this case before the federal court, alleging violation of state

competition laws. Under this agreement, which has received court approval, Arkema Inc. made no payments but agreed to cooperate if the case proceeds to trial against other defendants. This was not contested and the case is now closed.
The class action in California by indirect purchasers of hydrogen peroxide was rejected in the first quarter of 2011. This decision is not open to appeal.

b) Canadian civil actions

In Canada, Arkema Inc. and Arkema Canada Inc. reached an agreement with the direct and indirect purchasers of hydrogen peroxide who initiated civil actions alleging violations of competition laws, to settle all of the pending Canadian actions for a payment of CAD 100,000 and cooperation commitments. The competent Canadian courts have approved this settlement. To date ARKEMA has fulfilled the cooperation commitments made to the same courts.

15.2.2 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.

15.2.3 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 2012.

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 years 2003 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 hascontested these claims. A judgment issued on 24 June 2008 fully rejected all of the employees' claims. The employees appealed this decision. On 21 November 2011 the Lyon appeal court upheld the judgment of 24 June 2008 and fully rejected the appeals of all claimants. The provision previously recognized in the financial statements was reversed. Arkema France has been informed of 176 appeals, but in view of the known information on the matter no provision will be booked in the financial statements until a ruling has been made as to whether the appeals are admissible.

A large number of former employees of Arkema France who left the Company under the early retirement system for asbestos workers are parties to proceedings before the employee claims court 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, the decisions issued in the courts of first instance contradict each other on the question of compensation for economic prejudice and the prejudice of anxiety. For example, in rulings of 23 February 2011 and 15 September 2011, the Martigues employee claims court took a contrary view to the labour chamber of the Court of Cassation and ordered Arkema France to compensate several former employees for economic prejudice; the same court also found against Arkema France on the question of the prejudice of anxiety. Arkema France has appealed these decisions. In a ruling of 2 December 2011 the Grenoble employee claims court took a similar view to Martigues, ordering Arkema France to compensate 46 employees for the prejudice associated with “upheaval in living conditions”, which can be considered comparable to economic prejudice and the prejudice of anxiety. However on 28 September 2011, the Forbach employee claims court refused 14 former employees compensation for economic prejudice and the prejudice of anxiety. The rest of the rulings 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 or the economic prejudice. 533 former employees have initiated action before employee claims courts seeking damages for the prejudice of anxiety and/or the economic prejudice caused by exposure to asbestos.
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 on 14 May 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. In a ruling of 29 September 2011, the Lyon administrative court rejected Arkema France’s petition against this decision. Arkema France has appealed this ruling. If Arkema France loses its appeal, rehabilitation of the site affected by the pollution will be the company’s responsibility. Arkema France has already begun legal action against Rhodia Chimie, the previous operator of the site.

- Arkema Srl

During 2009, following pollution by an industrial operator at the Spinetta site (Italy) affecting a landfill unused since 1995 located on the part of the land owned by Arkema Srl, Arkema Srl was ordered by the local authorities to supply information on the history of the landfill and monitor pollution affecting it.

In late 2009, a certain number of managers and directors of Arkema Srl were named in a criminal investigation for underground water pollution at the Spinetta site and withholding information from the authorities on the true extent of existing pollution. This investigation also concerns employees of the main industrial operator on the site.

In late August 2010, the Public Prosecutor heading the case ended the first phase of the procedure by deciding to send the matter before the Preliminary Hearing Judge, who ruled in June 2011 that third party petitions to join the prosecution as claimants of civil damages were valid. After hearing all the parties, the Judge decided in early 2012 that the only charge applicable to representatives of Arkema Srl is the failure to take remedial action against the pollution observed.

Arkema Srl considers that it is difficult to determine with certainty whether the company or the managers or directors cited in this new phase of the criminal investigation could be considered to have liability.

- CECA

In 1999, the company Intradis commissioned the company Antéa to carry out a survey on a site located in France which had been used for industrial purposes and in particular by CECA (manufacture of sulphuric acid) and the company Hydro Agri (a fertilizer factory which does not belong to the Group). The survey classified the site as in category 1 (a site requiring in-depth investigations and a detailed risk assessment). After receipt of the report by the expert appointed to determine the nature and extent of the pollution, Intradis applied to the Administrative Court to have the prefectoral order requiring it to take measures to protect the site overturned. Intradis appealed this decision to the Administrative appeal court of Douai. In a judgment dated 18 October 2007, the Court overturned the previous judgment, cancelled the prefectoral order and decided that there was no need to rule on Intradis' conclusions against CECA.

In the absence of a quantified claim, no provision has been made for this dispute in the accounts of the Group. No particular developments have arisen on this litigation since 2008. The judgment of the Administrative appeal court of Douai definitively closes the proceedings initiated by Intradis in the administrative court system. As of today, it is not possible to evaluate whether any other forms of appeal, notably through civil proceedings, may be initiated.

The past environmental engineering activities of CECA have given rise to various claims by third parties. These claims have been transmitted to the Group's insurers. The Group has recognized provisions that it considers adequate. The possibility cannot be excluded that this activity, which has now ceased, may give rise to further claims in the future.

- Arkema Inc.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments have arisen 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 Inc. 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 filed by Rohm and Haas sought to terminate Arkema Inc.'s right under the Deer Park Capacity Reservation Contract as of 1 April 2014. On 21 April 2011, the Court in Texas held 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 was refused permission from the trial court to appeal that decision. After a settlement was reached on 29 June 2012, the parties withdrew the ongoing action.

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 France to enter into a replacement swap agreement for MMA. The final hearing was held in April 2012, the parties' statements were filed and they now await the arbitration decision.

- Arkema Quimica Limitada

Following a declaration as to the unconstitutional nature of certain taxes, the Brazilian subsidiary of Arkema Amériques, Arkema Química Limitada, offset certain tax assets and liabilities commencing in 2000. The Brazilian government contests the modalities of this offset and is now claiming its reimbursement amounting to 19.5 million reais (around €7.6 million).

Arkema Química Limitada was initially required to provide a guarantee (in the form of a cash deposit and a pledge of other assets) for the current portion of the liability, and in parallel lodged a counter-claim in mid-June 2009 for cancellation of the tax administration's claim for that portion. In October and November 2009, Arkema Quimica Limitada applied to benefit from a new tax amnesty law that would allow it to pay only part of the overall liability. During the first quarter of 2010 Arkema Química Limitada gave the tax authorities confirmation of its application to benefit from the tax amnesty law that would allow it to pay only part of its overall tax liability. Once 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 €3.6 million at 30 June 2012 would be concerned by an appeal before the courts, which ARKEMA considers would have reasonable chances of success.

16 Debt

Group net debt amounted to €1,093 million at 30 June 2012, taking account of cash and cash equivalents of €107 million. It is mainly denominated in euros.

The Group has the following instruments:

- In April 2012, the Group issued a €230 million bond that will mature on 30 April 2020, with a fixed coupon of 3.85%.

- On 26 July 2011, the Group put in place a multi-currency syndicated credit facility 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 information 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 acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures. This facility can be used for a maximum of two non-consecutive test dates during the term of the credit.

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

- The Group has a securitization programme for sales receivables with no deconsolidating effect, representing a maximum financing of €240 million, used for an amount of €95 million at 30 June 2012.

- The Group has a multi-currency syndicated credit facility put in place on 31 March 2006, maturing in March 2013. The amount of this facility was reduced to €288 million on 31 March 2012.

The purpose of the credit facility is to finance the Group's general corporate purposes; it provides for prepayment in certain cases, including a change of control over ARKEMA, and incorporates:

(i) standard undertakings for this type of financing;

(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.

16.1 Analysis of net debt by category

(In millions of euros)	30 June 2012	31 December 2011
Bond	725	496
Finance lease obligations	3	3
Bank loans	52	48
Other non-current debt	32	36
Non-current debt	**812**	**583**
Finance lease obligations	0	1
Syndicated credit facility	210*	0
Other bank loans	142	149
Other current debt	36	122
Current debt	**388**	**272**
Debt	**1,200**	**855**
Cash and cash equivalents	107	252
Net debt	**1,093**	**603**

* See note 17.3

16.2 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	30 June 2012	31 December 2011
Euros	1,076	722
US Dollars	15	17
Chinese Yuan	98	105
Korean Won	3	2
Other	8	9
Total	**1,200**	**855**

16.3 Analysis of debt by maturity

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

(In millions of euros)	30 June 2012	31 December 2011
Less than 1 year	404	293
Between 1 and 2 years	37	30
Between 2 and 3 years	41	34
Between 3 and 4 years	42	35
Between 4 and 5 years	47	39
More than 5 years	822	567
Total	**1,393**	**998**

17 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.

17.1 Foreign currency risk

The Group is exposed to transaction risks and translation 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 €1 million.
The amount of foreign exchange gains and losses recognized in recurring operating income at 30 June 2012 is a loss of €1.2 million (loss of €0.5 million at 30 June 2011.)
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 negative €0.2 million at 30 June 2012 (positive €0.5 million at 30 June 2011).

17.2 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 2012.
An increase (decrease) of 1% (100 basis points) in interest rates would have the effect of increasing (decreasing) the interest on financial assets and liabilities measured at amortized cost by €2.2 million.

17.3 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 Group reduces the liquidity risk by spreading maturities, favouring long maturities and diversifying its sources of financing. The Group thus has:

- a €230 million bond maturing on 30 April 2020
- a €500 million bond maturing on 25 October 2017
- a €700 million syndicated credit facility maturingon 26 July 2016
- a €288 million syndicated credit facility maturingon 31 March 2013
- a securitization programme for sales receivables, representing a maximum financing of €240 million.

These financing arrangements are intended to cover all the Group's financing requirements and give it sufficient flexibility to meet its obligations.

Apart from a change of control, the main circumstances in which early repayment or termination could occur concern the syndicated credit facilities (see note C16 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. In the case of the €700 million facility this ratio may be raised to 3.5 in the event of acquisition(s) of assets or securities, capital increase(s) or investment(s) in joint ventures. This facility can be used for a maximum of two non-consecutive test dates during the term of the credit.

Consolidated net debt amounts to €1,093 million at 30 June 2012, representing 1.1 times consolidated EBITDA for the last 12 months.

At 30 June 2012, the amount available under the syndicated credit facility is €778 million and the amount of cash and cash equivalents is €107 million.

Note C16 Debt provides details of the maturities of debt.

17.4 Credit risk

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

Credit risk on accounts receivable is limited because of the large number of its 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 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 BUs 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.

17.5 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 the cost price 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 generated an expense of €2 million on the income statement at 30 June2012 (no impact at 30 June 2011).

18 Related parties

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

19 Share-based payments

19.1 Stock options

No new stock option plans have been adopted by the Board of Directors.

The main characteristics of the outstanding stock option plans at 30 June 2012 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	**436,136**	**244,952**	**40,220**	**4,250**	-	-	-	**725,558**
- by corporate officers	27,250	10,000	-	-	-	-	-	37,250
- by the 10 largest beneficiaries*	171,000	97,050	9,750	3,500	-	-	-	281,300
Total number of options cancelled	15,900	22,800	18,877	5,000	5,000	-	-	67,577
Number of options								
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**
In circulation at 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	187,603	169,100	14,080	-	-	-	-	370,783
In circulation at 31 December 2011	**120,950**	**408,100**	**427,043**	**220,000**	**220,000**	**105,000**	**105,000**	**1,606,093**
In circulation at 1 January 2012	120,950	408,100	427,043	220,000	220,000	105,000	105,000	1,606,093
Granted	-	-	-	-	-	-	-	-
Cancelled	-	-	-	-	-	-	-	-
Exercised	32,986	75,852	26,140	4,250	-	-	-	139,228
In circulation at 30 June 2012	**87,964**	**332,248**	**400,903**	**215,750**	**220,000**	**105,000**	**105,000**	**1,466,865**

* 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 2012 was €1 million(€1 million at 30 June 2011).

19.2 Free share grants

On 9 May 2012, 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 2 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 2012, and the variation in the average EBITDA margin in 2012 and 2013 compared to the average margin of a selection of other chemicals manufacturers over the same period.

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 2012 are as follows:

	2010 Plan 1	**2010 Plan 2**	**2011 Plan 1**	**2011 Plan 2**	**2011 Plan 3**	**2012 Plan 1**	**2012 Plan 2**	**2012 Plan 3**	
Date of Annual General Meeting	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	15 June 09	
Date of Board of Directors' meeting	10 May 10	10 May 10	4 May 11	4 May 11	4 May 11	9 May 12	9 May 12	9 May 12	
Vesting period	2 years	4 years	2 years	3 years	4 years	2 years	3 years	4 years	
Conservation period	2 years	-	2 years	2 years	-	2 years	2 years	-	
Performance condition	Yes (2)	Yes (2)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	Yes (3)	
									Total (4)
Number of free shares granted	**153,705**	**50,795**	**88,305**	**59,380**	**52,315**	**101,860**	**74,805**	**65,335**	
- to corporate officers: Thierry Le Hénaff	18,800	-	8,200	8,200	-	13,000	13,000	-	
- to the 10 largest beneficiaries(1)	54,700	8,100	24,450	24,450	14,850	36,100	36,100	16,400	
Number of free shares									
In circulation at 1 January 2010	-	-	-	-	-	-	-	-	310,400
Granted	153,705	50,795	-	-	-	-	-	-	204,500
Cancelled	-	638	-	-	-	-	-	-	135,561
Definitively granted	-	-	-	-	-	-	-	-	42,127
In circulation at 31 December 2010	**153,705**	**50,157**	-	-	**-**	**-**	**-**	**-**	**337,212**
In circulation at 1 January 2011	153,705	50,157	-	-	-	-	-	-	337,212
Granted	-	-	88,305	59,380	52,315	-	-	-	200,000
Cancelled	3,690	1,000	455	455	125	-	-	-	6,875
Definitively granted	-	-	-	-	-	-	-	-	132,200
In circulation at 31 December 2011	**150,015**	**49,157**	**87,850**	**58,925**	**52,190**	**-**	**-**	**-**	**398,137**
In circulation at 1 January 2012	150,015	49,157	87,850	58,925	52,190	-	-	-	398,137
Granted	-	-	-	-	-	101,860	74,805	65,335	242,000
Cancelled	180	742	180	-	395	-	-	575	2,072
Definitively granted	149,835	-	100	100	-	-	-	-	150,035
In circulation at 30 June 2012	**0**	**48,415**	**87,570**	**58,825**	**51,795**	**101,860**	**74,805**	**64,760**	**488,030**

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

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

(3) 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.

(4) The total includes plans dating from before 2010.

The amount of the IFRS 2 expense recognized in respect of free shares at 30 June 2012 is €4 million (€2 million at 30 June 2011).

19.3 Capital increase reserved to employees

In the context of the Group's employee shareholding policy, ARKEMA offered its employees the opportunity to subscribe to a reserved capital increase at a subscription price of €54.51. This price corresponds to the average opening

market price of the ARKEMA share on the Paris stock exchange in the 20 trading days preceding the Board of Directors' meeting of 7 March 2012, to which a discount of 20% was applied.

Through this operation ARKEMA shares were offered to Group employees outside France via a free share grant plan. One free share was granted for each five shares subscribed, up to a maximum of 20 free shares.

The employees subscribed 535,013 shares, and the capital increase was completed and recognized on 18 April 2012.

On 9 May 2012 the Board of Directors recorded grants of 3,073 free shares to employees in Italy and Spain, and 14,090 free shares to employees in other countries outside France. The definitive grant of these shares will be subject to a vesting period of 3 and 4 years respectively.

Valuation method

In accordance with the method recommended by France's national accounting standards authority (*Autorité des Normes Comptables*), the calculation used to value the cost of not being able to sell the shares for five years is based on the cost of a two-step strategy assuming that these shares will ultimately be sold, and that the same number of shares will be purchased and settled immediately, financed by a loan. The rate used for the loan is the rate that a bank would grant to a private individual presenting an average risk profile in the context of a 5-year consumer loan.

The fair values of the shares subscribed in France and outside France have been calculated separately in order to reflect grants of free shares to Group employees established outside France.

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:

Date of the Board meeting which decided on the capital increase: 7 March 2012

Share price at the date of the board meeting: €63.85

5-year risk free interest rate: 1.78%

Interest rate on 5-year borrowings: 8.67%

Cost of not being able to sell the shares:

- 28.3% (shares subscribed in France)
- 29.2% (shares subscribed outside France in countries other than Italy and Spain)
- 39% (shares subscribed in Italy and Spain)

On the basis of the share price at the date of the Board meeting, the benefit granted represents a value of €7 million. As the cost of not being able to sell the shares, calculated on the basis of the above parameters, is higher than this amount, no expense has been recognized in the income statement.

20 Off-balance sheet commitments

The commitments reported exclude commitments given to and received from third parties related to activities concerned by the divestment project for the Vinyl Products segment.

20.1 Commitments given

20.1.1 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 2012	31 December 2011
Guarantees granted	59	50
Comfort letters	0	0
Contractual guarantees	25	30
Customs and excise guarantees	10	9
Total	**94**	**89**

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

20.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods initially 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" type clauses.

The total amount of the Group's financial commitments is valued on the basis of the last known prices and amounts to €418 million at 30 June 2012 (see maturity schedulebelow).

(In millions of euros)	30 June 2012	31 December 2011
2012	61	112
2013	74	63
2014	66	62
2015	51	48
2016 until expiry of the contracts	166	145
Total	**418**	**430**

- 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) and transportation equipment (rail cars, containers).

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

	30 June 2012		31 December 2011	
(In millions of euros)	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2012	0	13	0	20
2013	0	19	0	20
2014	0	18	0	17
2015	0	18	0	16
2016 and beyond	2	28	2	18
Nominal value of future lease payments	**3**	**96**	**3**	**91**
Finance cost	1	NA	1	NA
Present value	**2**	**NA**	**2**	**NA**

NA: not applicable

20.1.3 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 2012 (€58million at 31 December 2011). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

In the divestment of its vinyls activities, ARKEMA provided the usual warranties for such operations for a total amount of up to €38 million. ARKEMA also issued warrantiesto third parties for the activity sold during a transitional period of no more than 15 months, and will remain jointly liable for the obligations of the activity sold over their residual duration. The total of these commitments to third parties are covered by a counter-guarantee provided by Klesch Chemicals Ltd., and collateral security received.

ARKEMA also entered into a hydrogen supply agreement with Kem One until December 2016, representing an irrevocable purchase commitment of approximately €7million.

20.1.4 Off-balance sheet commitments related to Group financing

These commitments are described in note C16 Debt.

.

20.2 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 2011 (note C29.2 Commitments received, in chapter 20 of ARKEMA's Reference Document).

21 Subsequent events

On 10 July 2012 ARKEMA announced its plan to sell its tin stabilizers business to PMC Group, continuing its move to refocus its activities on fast-growing core specialty businesses. As part of the Group's Functional Additives business unit, this business generates sales of approximately €180million and employs 234 people on 4 industrial sites worldwide. The project is subject to the works council information and consultation process in the Netherlands, and must be approved by the relevant antitrust authorities.

ARKEMA is to gain a foothold in Brazil in acrylic specialities. On 16 July 2012 it announced a project to acquire an additives and emulsions production site from the Brazilian company Resicryl. This illustrates the Group's commitment to stepping up the pace of its development in Latin America through projects with high value added. The new entity would combine the current sales of Coatex in Brazil with the sales of the new site, giving total sales of US$20 million. The operation is due to be finalized during the 2nd half of 2012.

SCOPE OF CONSOLIDATION AT 30 JUNE 2012

(a) Companies acquired in 2012

(b) Companies consolidated for the first time in 2012

(c) Companies merged in 2012

(d) Companies concerned by the planned disposal described in A. Highlights

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

Akishima Chemical Industries Co.Ltd	(d)	Japan	100.00	FC
Alphacan	(d)	France	100.00	FC
Alphacan BV	(d)	Netherlands	100.00	FC
Alphacan Doo	(d)	Croatia	100.00	FC
Alphacan SPA	(d)	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 SAS		France	100.00	FC
American Acryl LP		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema		France	100.00	FC
Arkema Afrique SAS		France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie SAS		France	100.00	FC
Arkema 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 Chemicals India Private Ltd		India	100.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Coatings Resins BV		Netherlands	100.00	FC
Arkema Coatings Resins SAU		Spain	99.92	FC
Arkema Coating Resins Malaysia Sdn. Bhd.		Malaysia	100.00	FC
Arkema Coatings Resins SRL		Italy	100.00	FC
Arkema Coatings Resins UK		United Kingdom	100.00	FC
Arkema Co. Ltd		Hong Kong	100.00	FC
Arkema Daikin Advanced Fluorochemicals Co. Ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe		France	100.00	FC
Arkema France	(d)	France	100.00	FC
Arkema GmbH	(d)	Germany	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	(c)	Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd		United Kingdom	100.00	FC
Arkema Ltd	(d)	Vietnam	100.00	FC
Arkema Mexico SA de CV		Mexico	100.00	FC
Arkema Mexico Servicios SA de CV	(b)	Mexico	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema PEKK Inc.		United States	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica Ltda		Brazil	100.00	FC
Arkema Quimica SA	(d)	Spain	99.92	FC
Arkema RE Ltd		Ireland	100.00	FC
Arkema RE	(c)	France	100.00	FC
Arkema Resins (Pty) Ltd.		South Africa	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema (Shanghai) Distribution Co. Ltd		China	100.00	FC
Arkema Spar NL Limited Partnership		Canada	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Thiochemicals Sdn Bhd		Malaysia	86.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Austinland	(a)	Spain	100.00	FC
Ceca Belgium		Belgium	100.00	FC
Ceca Italiana Srl		Italy	100.00	FC
CECALC		France	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 Engineering Polymers Co Ltd	(d)	China	100.00	FC
CJ Bio Malaysia Sdn Bhd	(b)	Malaysia	14.00	EM
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovakia	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex 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
Difi 6	(b)+(d)	France	100.00	FC
Difi 7	(b)+(d)	France	100.00	FC
Difi 8	(b)+(d)	France	100.00	FC

Difi 9	(b)+(d)	France	100.00	FC
Difi 10	(b)+(d)	German	100.00	FC
Difi 11	(b)+(d)	German	100.00	FC
Difi 12	(b)+(d)	Italy	100.00	FC
Dorlyl snc	(c)	France	100.00	FC
Febex SA		Switzerland	96.77	FC
Harveys Composites South Africa		South Africa	100.00	FC
Hebei Casda	(a)	China	100.00	FC
Little Rock Invest Sl	(a)+(d)	Spain	100.00	FC
Luperox Iniciadores SA de CV	(c)	Mexico	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
Meglas		Italy	33.00	EM
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar		Canada	50.00	PC
Noble Synthetics Private Limited		India	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Peninsula Polymers LLC		United States	100.00	FC
Plasgom SAU	(d)	Spain	99.92	FC
Qatar Vinyl Company Limited QSC		Qatar	12.91	EM
Résil Belgium		Belgium	100.00	FC
Resilia SRL	(d)	Italy	100.00	FC
Resinoplast	(d)	France	100.00	FC
Resinoplast North America Srl de CV	(d)	Mexico	100.00	FC
Sartomer Asia Limited		Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co, Ltd		China	100.00	FC
Sartomer Japan Inc.	(c)	Japan	100.00	FC
Sartomer Shangai Distribution Company Limited		China	100.00	FC
Sartomer USA LLC		United States	100.00	FC
Seki Arkema		South Africa	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co. Ltd		China	100.00	FC
Stannica LLC		United States	50.00	PC
Sunclear SA Espana (ex Plasticos Altumax SA)		Spain	99.92	FC
Sunclear (ex Sunclear France)		France	100.00	FC
Sunclear SRL (ex Altuglas International SRL)		Italy	100.00	FC
Suzhou Hipro Polymers Co Ltd	(a)	China	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinylfos	(c)+(d)	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 2012 have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all its consolidated companies, and that the half-year activity report includes a fair review of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the major transactions between related parties, and a description of the main risks and uncertainties for the remaining six months of the financial year.

Thierry Le Hénaff
Chairman and CEO

KPMG Audit
Département de KPMG S.A.
Commissaire aux Comptes
ıbre de la Compagnie régionale de Versailles
1, cours Valmy
92923 Paris La Défense Cedex

Ernst & Young Audit

Commissaire aux Comptes
ıbre de la Compagnie régionale de Versailles
1 /2 Place des Saisons
92400 Courbevoie La Défense Cedex
S.A.S. à capital variable

Arkema S.A.

Statutory Auditors' Review Report On the first half-year Financial information for 2012

(free translation of the French original)

January 1st to June 30th 2012
Arkema S.A.
420, rue d'Estienne d'Orves - 92700 Colombes

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

Arkema S.A.

Registered office: 420, rue d'Estienne d'Orves - 92700 Colombes
Share capital: €.625,388,180

Statutory Auditor's Review Report on the first half-year financial information for 2012 (free translation of the French original)

January 1st to June 30th 2012

To the Shareholders,

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

- the review of the accompanying condensed half-year consolidated financial statements of Arkema S.A. for the period January 1st to June 30th 2012,and
- 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 of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

II. Specific verification

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

Paris La Défense, July 31 2012

The Statutory Auditors

French original signed by

KPMG Audit *Département de KPMG S.A.*	Ernst & Young Audit
Jacques-François Lethu	Valérie Quint
Partner	Partner