Half-year Financial Report

First half ended 30 June 2016

ARKEMA
420, rue d'Estienne d'Orves – F-92705 COLOMBES Cedex – France
Standard : +33 (0)1 49 00 80 80 – Fax : +33 (0)1 49 00 83 96
Société anonyme au capital de 755 811 250 euros – 445 074 685 RCS

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I - HALF-YEAR FINANCIAL REPORT

1. FIRST HALF 2016 HIGHLIGHTS

1.1. Acquisitions and divestments

Project to divest the Activated Carbon and Filter Aid business

After completing the divestment of Sunclear in November 2015 which reported sales of some €180 million, Arkema has been actively pursuing the implementation of its program with the target to divest some €700 million sales between 2015 and 2017 and announced in April 2016 the proposed divestment of its Activated Carbon and Filter Aid business, which reports sales of some €93 million and employs around 300 people. The offer received is based on a €145 million enterprise value, *i.e.* a multiple of 9.5 on the basis of the 2015 EBITDA. The project, subject to the approval of the relevant antitrust authorities, should be finalized in 4th quarter 2016.

Acquisition of acrylics assets in China

Early 2016, Arkema decided not to exercise its €200 million option to double its rights to production capacities in the Taixing Sunke Chemicals joint venture. The Group has nevertheless continued discussions with its partner to reach a scheme based on a 50/50 split of the rights to capacities which would enable Arkema to access an additional 80 kt acrylic acid production capacity per year for a limited cash-out of around €40 million. The contracts have now been signed and are being implemented, with cash-out expected in 3rd quarter 2016.

1.2. Organic growth

In line with its ambition to expand in higher growth regions, Bostik announced in 1st half 2016 increases in its production capacities of cementitious products in the Philippines and in Malaysia. These developments will help support the strong demand growth in the construction market in both regions.

1.3. Share capital increase reserved for employees

Arkema carried out a share capital increase reserved for employees in April 2016. 998,072 shares were subscribed at a price of €42.16 per share for a total amount of €42.1 million.

2. CORPORATE GOVERNANCE

2.1 Composition of the Board of Directors

Mrs Claire Pedini resigned from Arkema's Board of Directors on 17 June 2016 due to the proposed acquisition by Saint-Gobain of the Sika group, a major player in the adhesives market. The Nominating, Compensation and Corporate Governance Committee will meet to review profiles and put forward candidates to replace her as a director.

Furthermore, in accordance with regulatory changes in 2015 and following the approval by the annual general meeting on 7 June 2016 of an amendment to the Articles of Association allowing the appointment of a director representing employees, Mrs Nathalie Muracciole, has been appointed by the European Group Works Council, and joined Arkema's Board of Directors effective 7 July 2016.

At the date of this report, Arkema's Board of Directors comprises 12 members.

2.2 Composition of the Executive Committee

Effective 1st September 2016, Bernard Pinatel, Executive Vice President High Performance Materials, will leave the Group. As a result, the responsibility for the High Performance Materials division will be divided up between:

- Christophe André who will be appointed Executive Vice President Technical Polymers and Performance Additives, and
- Vincent Legros who will be appointed Executive Vice President Specialty Adhesives (Bostik).

On this date they will join Arkema's Executive Committee, which will then comprise:

- Thierry Le Hénaff, Chairman and Chief Executive Officer,
- three operational Executive Vice Presidents : Marc Schuller (Industrial Specialties and Coating Solutions divisions), Christophe André (Technical Polymers and Performance Additives), and Vincent Legros (Bostik), and
- four functional Executive Vice Presidents: Luc Benoit-Cattin (Industry), Bernard Boyer (Strategy), Michel Delaborde (Human Resources and Communication), and Thierry Lemonnier (Finance).

2.3 Creation of a Group Management Committee

As of 1st September 2016, Arkema will put in place a Group Management Committee in addition to the Executive Committee, the Group's decision-making body. This committee, chaired by Thierry le Hénaff, Chairman and Chief Executive Officer, will comprise the members of the Executive Committee and a limited number of Business Lines Managing Directors, Country Managers, and Support Functions Vice Presidents. It will meet four times a year, and its missions will entail in particular the quarterly review of the Group's performance (HSE, financial and operational results) and the follow-up of the major projects and priorities. As a discussion and reflection body, it will also discuss Arkema's medium- and long-term orientations.

3. ANALYSIS OF THE FIRST HALF 2016 FINANCIAL RESULTS

The figures in this section are provided on a consolidated basis and in accordance with Arkema's organization into 3 divisions: High Performance Materials, Industrial Specialties, and Coating Solutions.

3.1 Analysis of Arkema's results

(In millions of euros)	1st half 2016	1st half 2015	Variations in %
Sales	**3,845**	**3,977**	**-3.3%**
EBITDA	**643**	**557**	**+15.4%**
EBITDA margin (%)	**16.7%**	**14.0%**	
Recurring operating income	**420**	**341**	**+23.2%**
Other income and expenses	(1)	(82)	
Operating income	**419**	**259**	**+61.8%**
Equity in income of affiliates	6	5	
Financial result	(50)	(54)	
Income taxes	(126)	(36)	
Net income – Group share	**245**	**175**	**+40.0%**
Adjusted net income	**240**	**188**	**+27.7%**

Sales

In 1st half 2016, sales reached €3,845 million, 3.3% down on 1st half 2015. Volumes grew by +2.6%, supported by innovation in Technical Polymers, developments in adhesives, the thiochemicals plant in Malaysia, and growth in acrylic downstream. The -5.4% price effect resulted from the acrylics cycle and the impact on sales prices of lower raw materials. The +1.1% business scope effect mostly reflects Bostik's contribution in January as well as the divestment of Sunclear. The translation effect amounted to -1.7%.

The step up of the Group's profile continues in line with strategy. The share of High Performance Materials grew to represent 46% of Group sales (42% in 1st half 2015). Industrial Specialties represent 31% (33% in 1st half 2015), and Coating Solutions 23% (25% in 1st half 2015).

From a geographic standpoint, Europe accounts for 37% of Group sales (38% in 1st half 2015), North America 34% (34% in 1st half 2015), Asia 24% (23% in 1st half 2015), and the rest of the world 5% (5% in 1st half 2015).

EBITDA and recurring operating income

At €643 million, EBITDA increased significantly (+15%) compared to 1st half 2015. This growth reflects the ramp-up and contribution over an extra month of Bostik, the benefits of innovation, in particular in Technical Polymers, the gradual improvement in the results of fluorogases in line with the Group's assumptions, the development of the thiochemicals platform in Malaysia started in 1st quarter 2015, and some lower raw material costs.

Beyond these elements, EBITDA margin, significantly up at 16.7% against 14.0% in 1st half 2015, reflects the growing share of higher added value activities and the improvement in Bostik's margin at 13.8%.

Consistent with the EBITDA improvement, recurring operating income stood at €420 million against €341 million in 1st half 2015. It includes €223 million depreciation and amortization, slightly up on last year (€216 million) due mainly to the integration of Bostik and the start-up of new production plants.

Operating income

After deduction of other income and expenses, operating income stood at €419 million in 1st half 2016 against €259 million in 1st half 2015. Over 1st half 2016, other income and expenses amounting to -€1 million corresponded mostly to (i) €19 million depreciation and amortization related to the revaluation of tangible and intangible fixed assets carried out as part of the Bostik purchase price allocation, and (ii) the financial consequences of changes to some pension schemes within the Group, including the termination effective 7 June 2016 of the supplementary defined benefit pension scheme for the Chairman and Chief Executive Officer and the finalization of the outsourcing of pensions in the Netherlands.

In 1st half 2015, other income and expenses amounting to -€82 million corresponded mostly to the consequences of the Bostik purchase price allocation and to various restructuring charges.

Equity in income of affiliates

Equity in the income of affiliates stood at €6 million. It mostly reflects the contribution of the company CJ Bio Malaysia Sdn. Bhd. in which the Group has a 14% stake.

Financial result

The financial results stood at -€50 million against -€54 million in 1st half 2015. In 1st half 2015, the financial result included a €12 million unrealized foreign exchange loss on the financing in US dollars of the investments made in Malaysia in the Thiochemicals subsidiary which was still keeping its accounts in Malaysian ringgits at that time. Excluding this impact, the increase in the financial result primarily reflects the variation, due to lower discount rates, of actuarial gains and losses on certain provisions for long service awards.

Income taxes

Income taxes in 1st half 2016 amounted to €126 million (€36 million in 1st half 2015). They include a €4 million tax due on the dividend paid in cash for 2015 and a €6 million provision reversal for deferred income tax as part of the allocation of Bostik purchase price. Excluding these items, the tax rate would stand at 30.5% of recurring operating income. This tax rate reflects the geographic split of results, in particular the weight of North America in the Group's results. In 1st half 2015, income taxes included €76 million income recognized as part of Bostik purchase price allocation.

Net income, Group share and adjusted net income

Net income, group share stood at €245 million (€175 million in 1st half 2015).

Excluding the impact, after tax, of non-recurring items, adjusted net income reached €240 million against €188 million in 1st half 2015, *i.e.* €3.21 per share (€2.58 per share in 1st half 2015). The adjusted net income in 1st half 2015 has been restated to exclude the impact of the financing in US dollars of the investments made in the Thiochemicals subsidiary in Malaysia, which has been keeping its accounts in US dollars and no longer in Malaysian ringgits since 4th quarter 2015 with retroactive effect from 1st January of that year.

3.2 Analysis of results by division

HIGH PERFORMANCE MATERIALS

(In millions of euros)	1st half 2016	1st half 2015	Variations in %
Sales	**1,747**	**1,649**	**+5.9%**
EBITDA	**314**	**260**	**+20.8%**
EBITDA margin (%)	**18.0%**	**15.8%**	
Recurring operating income	**237**	**187**	**+26.7%**

Sales in the **High Performance Materials** division stood at €1,747 million, 6%[1] up on 1st half 2015, corresponding mainly to Bostik's contribution in January. Volumes grew by +2.8%, driven by innovation particularly in lightweight materials and new energies, and by geographic expansion at Bostik. This increase in volumes largely offset a slightly negative price effect of -1.4% given the changes in raw material prices. The translation effect amounted to -2.4%.

EBITDA rose by 21% to €314 million against €260 million in 1st half 2015. Bostik improved significantly, benefiting from its development projects, synergies with Arkema, lower costs, and the contribution of an extra month. With a 13.8% EBITDA margin in 1st half 2016, Bostik is catching-up with its major competitors, and confirms both its good momentum and a faster ramp-up than initially anticipated. Excluding Specialty Adhesives, EBITDA grew significantly thanks in particular to a very good performance in Technical Polymers. As expected, the trend is less favorable than in 2015 in molecular sieves within the filtration and adsorption business.

At 18%, EBITDA margin recorded a strong increase compared to 1st half 2015 (15.8%) thanks to the progress made at Bostik as well as in the division's other activities where the average margin is excellent just over 21.5%.

Recurring operating income stood at €237 million and includes €77 million depreciation and amortization, up on last year (€73 million) due mainly to the integration of Bostik over one extra month.

INDUSTRIAL SPECIALTIES

(In millions of euros)	1st half 2016	1st half 2015	Variations in %
Sales	**1,195**	**1,310**	**-8.8%**
EBITDA	**263**	**221**	**+19.0%**
EBITDA margin (%)	**22.0%**	**16.9%**	
Recurring operating income	**177**	**136**	**+30.1%**

Industrial Specialties sales amounted to €1,195 million, 8.8%[1] down on 1st half 2015. This decrease essentially results from a -6.4% scope effect related to the divestment of Sunclear finalized in 4th quarter 2015. Volumes grew by +1.9% driven mainly by the contribution of the thiochemicals platform in Malaysia which came on stream in 1st quarter 2015. The -4.4% price effect essentially reflects changes in the cost of some raw materials.

EBITDA rose by 19% compared to 1st half 2015 to €263 million, while EBITDA margin grew sharply to a very high 22.0% (17.1% in full year 2015). All of the division's product lines showed an improvement. Fluorogases continued to improve in line with the Group's assumptions. Thiochemicals benefited, in 1st quarter 2016, from the contribution of an additional quarter for its Kerteh platform in Malaysia, thereby achieving, on a rolling twelve month basis, the EBITDA target which the Group had set for this project over time; as expected, the platform's contribution in 2nd quarter was close to that in 2nd quarter 2015. Market conditions in PMMA remained favorable. Hydrogen Peroxide results reflected the development of specialty grades.

Recurring operating income amounted to €177 million and includes €86 million depreciation and amortization, stable overall compared to last year (€85 million).

[1] As at 1st January 2016, a business from the High Performance Materials division was reassigned to the Industrial Specialties division. The reported variation in sales includes the impact of this change for a €16 million amount.

COATING SOLUTIONS

(In millions of euros)	1st half 2016	1st half 2015	Variations in %
Sales	**889**	**1,005**	**-11.5%**
EBITDA	**113**	**114**	**-0.9%**
EBITDA margin (%)	**12.7%**	**11.3%**	
Recurring operating income	**54**	**57**	**-5.3%**

Coating Solutions sales reached €889 million, -11.5% down on 1st half 2015. Volumes rose by +3.0%, reflecting good demand in acrylic monomers and the ongoing benefits of innovation in downstream activities. The -13.2% price effect reflects the acrylics cycle and lower raw material prices.

In the continuity of 2015, the division's results showed good resilience and continued to fully benefit from solid downstream integration. EBITDA stood at €113 million, stable overall compared to 1st half 2015, while EBITDA margin stood at 12.7%, up on 1st half 2015. The good performance of downstream activities helped compensate to a large extent the results in acrylic monomers below their 1st half 2015 level. In the latter activity, which accounts for 9% of Group sales, unit margins are overall stabilized at low cycle level, in line with Group's assumptions for the first part of 2016.

Recurring operating income stood at €54 million and includes €59 million depreciation and amortization, slightly up on last year (€57 million).

3.3 Group's cash flow analysis

(In millions of euros)	**1st half 2016**	**1st half 2015**
Cash flow from operating activities	**259**	**254**
Cash flow from investing activities	**(222)**	**(1,531)**
Net cash flow	**37**	**(1,277)**
Of which:		
Non-recurring items including non-recurring capital expenditure	*(19)*	*(21)*
Net cash flow from portfolio management	*(5)*	*(1,328)*
Recurring cash flow (1)	**61**	**72**
Free cash flow (2)	**42**	**51**
Cash flow from financing activities	**(104)**	**484**
Variation in cash and cash equivalents	**(67)**	**(793)**

(1) Net cash flow excluding impact of portfolio management and non-recurring items.
(2) Net cash flow excluding impact of portfolio management.

Cash flow from operating activities

In 1st half 2016, the Group generated €259 million operating cash flow, slightly up on that of 1st half 2015, the strong increase in EBITDA being offset by an increase in working capital and income taxes.

This cash flow includes (i) a -€189 million[2] variation in working capital which reflects the usual seasonality of the activity and the very good start to the year, (ii) -€129 million current income taxes, (iii) -€42 million cash items in the financial result, and (iv) -€21 million non-recurring items mostly corresponding to restructuring expenses.

In 1st half 2015, the €254 million operating cash flow included (i) a -€112 million[3] variation in working capital, (ii) -€110 million current income taxes, (iii) -€42 million cash items in the financial result, and (iv) -€21 million non-recurring items mostly corresponding to restructuring expenses.

[2] Excluding +€3 million non-recurring items

[3] Excluding flows related to non-recurring items totalling +€44 million, which primarily included a €36 million non-cash flow related to the inventory step-up carried out as part of the allocation of Bostik purchase price.

Cash flow from investing activities

Cash flow from investing activities amounted to -€222 million in 1st half 2016. It primarily includes €148 million[4] capital expenditure in tangible and intangible assets. Over the full year, Group capital expenditure should amount to some €450 million based on a euro / US dollar exchange rate of 1.10. This cash flow also includes -€17 million loans granted to employees as part of the share capital increase reserved for employees finalized in April 2016, and the variation in fixed asset payables traditionally high in 1st half of the year.

In 1st half 2015, cash flow from investing activities amounted to -€1,531 million, and mainly included (i) €147 million capital expenditure (excluding capital expenditure related to portfolio management operations), and (ii) a €1,328 million net cash outflow recorded in relation to acquisitions made over the period, primarily the Bostik acquisition.

Recurring cash flow and free cash flow

Excluding non-recurring items and portfolio management operations, recurring cash flow stood at €61 million in 1st half 2016 against €72 million in 1st half 2015. It includes a -€17 million flow corresponding to the loans granted to employees as part of the share capital increase reserved for employees finalized in April 2016.

Free cash flow, which corresponds to net cash flow excluding the impact of portfolio management, stood at €42 million in 1st half 2016 against €51 million in 1st half 2015.

This good cash generation, despite the usual strong seasonality in working capital, reflects the Group's priority to actively pursue its efforts in this area.

Group's net cash flow

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

Cash flow from financing activities

Cash flow from financing activities amounted to -€104 million in 1st half 2016. This includes the payment of a €1.90 dividend per share in respect of the 2015 financial year, totaling €143 million, and a share capital increase reserved for employees conducted in April 2016 totalling €42 million.

In 1st half 2015, the €484 million cash flow from financing activities included, in addition to the payment of the dividend, a bond issue for a net amount of €691 million made as part of the Bostik acquisition.

3.4 Group's balance sheet analysis

(In millions of euros)	**30/06/2016**	**31/12/2015**	**Variation**
Non-current assets (1)	5,251	5,399	-2.7%
Working capital	1,295	1,067	+21.4%
Capital employed	**6,546**	**6,466**	**+1.2%**
Provisions for pensions and employee benefits	546	571	-4.4%
Other provisions	389	407	-4.4%
Total provisions	**935**	**978**	**-4.4%**
Long-term assets covering some provisions	68	71	-4.2%
Total provisions net of some non-current assets	**867**	**907**	**-4.4%**
Net debt	**1,406**	**1,379**	**-**
Shareholders' equity	**4,049**	**3,949**	**+2.5%**

(1) Excluding deferred taxes and including pension assets.

[4] Excluding €20 million corresponding to reassigned fixed assets following the agreement reached with Canada Fluorspar Inc. under which Arkema sold it its share in their joint affiliate Newspar and signed a long-term purchasing contract for fluorspar. This operation, which also entailed the recognition of an equivalent amount in the proceeds from sales of operations, has no impact on the Group's net debt.

Between 31 December 2015 and 30 June 2016, non-current assets decreased by €148 million. This variation was primarily due to:

- €148 million capital expenditure[5];
- net depreciation and amortization amounting to €244 million, including €19 million depreciation and amortization resulting from the revaluation at fair value of tangible and intangible fixed assets as part of Bostik purchase price allocation;
- a €75 million negative currency effect related to the strengthening of the euro versus the US dollar at the close of the period; and
- a €30 million increase in loans and receivables mostly corresponding to the loans granted to employees as part of the share capital increase finalized in April 2016.

At 30 June 2016, working capital was up by €228 million compared to 31 December 2015 including a -€18 million currency effect due to the strengthening of the euro versus the US dollar at the close of the period. This increase mainly reflects the usual seasonality of working capital resulting from higher sales versus year-end. It includes €48 million fixed asset payables at 30 June 2016 relating to the transfer in 3rd quarter 2015 of an acrylic acid production line to the Taixing Sunke Chemicals joint venture. Excluding this amount, the working capital to annualized sales ratio[6] stood at 17.2%, overall stable compared to 30 June 2015 (17.5%). This performance reflects continued efforts to manage working capital and maintain a strict operational discipline.

Consequently, between 31 December 2015 and 30 June 2016, the Group's capital employed increased by €80 million to reach €6,546 million by 30 June 2016.

At 30 June 2016, gross provisions amounted to €935 million. Some of these provisions, accounting for a total of €68 million at this date, are mostly covered by a guarantee facility granted by Total and described in note 15.2.2 to the condensed interim consolidated financial statements at 30 June 2016 and therefore by long-term assets recognized on the balance sheet. It mainly consists of provisions related to former industrial sites in the United States. Accordingly, at 30 June 2016, provisions net of these non-current assets amounted to €867 million.

The breakdown of net provisions by type was as follows: pension liabilities of €388 million (€388 million at 31 December 2015), other employee benefits of €158 million (€183 million at 31 December 2015), environmental contingencies of €132 million (€134 million at 31 December 2015), €40 million restructuring provisions (€51 million at 31 December 2015), and other provisions amounting to €149 million (€151 million at 31 December 2015).

Between 31 December 2015 and 30 June 2016, net provisions for pension liabilities remained stable, the impact of lower discount rates being fully offset by the revaluation of financial assets, the reversal of provisions following the termination of the supplementary defined benefit pension scheme of the Chairman and Chief Executive Officer, and the finalization of the outsourcing of pensions in the Netherlands. Provisions for employee benefits (mainly healthcare costs, welfare costs, long-service awards) decreased by €25 million over the period due mainly to the updating of certain actuarial assumptions.

Net debt amounted to €1,406 million at 30 June 2016 (against €1,379 million at 31 December 2015), *i.e.* 34.7% of shareholders' equity. This variation in net debt is explained by cash flows, as detailed in paragraph 3.3 of this report.

Shareholders' equity amounted to €4,049 million against €3,949 at end 2015. The €100 million increase primarily includes (i) the payment of a dividend of €1.90 per share totaling €143 million, (ii) a €42 million share capital increase reserved for employees, (iii) the €249 million net income over the period, and (iv) €42 million net negative translation adjustments.

4. TRANSACTION WITH RELATED PARTIES

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

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[5] Excluding €20 million corresponding to fixed assets reassigned as part of the operations conducted with Canada Fluorspar Inc. described in paragraph 3.3 of this report.

[6] Computed as working capital at 30 June / (sales for 2nd quarter *4)

5. HIGHLIGHTS SINCE 30 JUNE 2016

Planned acquisition of Den Braven

On 20 July 2016, Arkema announced the planned acquisition of Den Braven, a leading player in high performance sealants in Europe, for a €485 million enterprise value, *i.e.* 11 times the 2016 EBITDA estimate. This project is consistent with the Group's strategy to actively develop its High Performance Materials division and in particular its Specialty Adhesives business. With €350 million sales (2016 estimate), a 12.5% EBITDA margin (2016 estimate) and some 1,000 employees, Den Braven will reinforce Bostik's offering in the insulation and construction markets, and will help create a global market leader in high performance sealants. With synergies assessed at €30 million per year at least, fully achieved within 5 years, this is a strong value-creating project. The operation should be EPS and cash accretive from first year, and the EV/EBITDA multiple should be reduced to around 6.5 times including synergies. With this new milestone in the achievement of our long-term ambition for Bostik, the EBITDA margin target for Bostik has been upgraded to 15% by 2020. This project is subject to the legal information and consultation process at Arkema BV's works council and to the approval of antitrust authorities in the countries concerned. Closing is expected to take place in last quarter 2016.

Organic growth project

As part of its geographic expansion strategy, Bostik has opened in Sweden a new manufacturing plant for cement-based tile adhesives, mortars and flooring products. This plant will help meet growing demand in the markets of Northern Europe and the Baltic countries.

6. OUTLOOK

The current macro-economic environment remains marked by moderate global growth overall, low visibility with different dynamics by region, and volatility in currencies, energy and raw material prices.

In these conditions, Arkema continues to focus on its internal drivers. Hence the Group actively continues to develop Bostik and implement synergies, in line with its ambition and the medium- and long-term targets it has set for this business. The Group also pursues its plan to gradually improve its fluorogas activity and the roll-out of its operational excellence program to offset part of the inflation on fixed costs. Finally, the Group will carry out, in the 2^{nd} half of the year, a regulatory maintenance turnaround in Kerteh, Malaysia, in Thiochemicals, one year after its start-up.

Assuming an energy, raw material and currency environment in line with the first semester, and taking into account the traditional seasonality of the second half of the year, Arkema reaffirms its confidence in its ability to grow EBITDA in 2016, and now targets a significant growth in EBITDA of some 7% to 9% over the year.

For 2017 and 2020, the targets, defined in normalized conditions, were presented at the Capital Markets Day held in June 2015.

The roadmap presented on this occasion which explains the EBITDA increase from €784 million in 2014 to €1.3 billion in 2017 details three different contributors: internal projects, portfolio management and economic environment. The underlying assumptions for the contribution of both internal projects and the economic environment are those described in the 2015 Reference Document. Following the developments recently announced, the contribution of portfolio management now includes a lower right to acrylic acid production capacities as part of the Taixing Sunke Chemicals joint-venture in China and the planned acquisition of Den Braven. Furthermore, in order to maintain a solid financial structure, the Group has also a gearing target of some 40% by the end of 2017.

Over the longer term, still in normalized conditions, it is recalled that the Group aims to achieve, by 2020, €10 billion sales and an EBITDA margin close to 17%, while maintaining a net debt to EBITDA ratio of around 1.5.

All these targets are detailed in section 4.2. of the 2015 Reference Document.

7. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2015 Reference Document filed with the *Autorité des marchés financiers* ("AMF") on 4 April 2016 under number D.16-0263. 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 is given in the notes to the half-year financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AT 30 JUNE 2016

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	Notes	**1st half 2016**	**1st half 2015**
Sales	(C1&C2)	**3,845**	**3,977**
Operating expenses		(2,965)	(3,209)
Research and development expenses		(112)	(103)
Selling and administrative expenses		(348)	(324)
Recurring operating income *	(C1)	**420**	**341**
Other income and expenses *	(C3)	(1)	(82)
Operating income *	(C1)	**419**	**259**
Equity in income of affiliates		6	5
Financial result		(50)	(54)
Income taxes	(C5)	(126)	(36)
Net income		**249**	**174**
Of which: non-controlling interests		4	(1)
Net income - Group share	(C4)	**245**	**175**
Earnings per share (amount in euros)	(C6)	*3.28*	*2.40*
Diluted earnings per share (amount in euros)	(C6)	*3.27*	*2.39*
Depreciation and amortization	(C1)	(223)	(216)
EBITDA *	(C1)	643	557
Adjusted net income **	(C4)	240	188
*Adjusted earnings per share (amount in euros) ***	(C6)	*3.21*	*2.58*
*Diluted adjusted earnings per share (amount in euros) ***	(C6)	*3.20*	*2.57*

* see note B17 to the consolidated financial statements at 31 December 2015 – Accounting policies / Main accounting and financial indicators.

** see note C4. The components of adjusted net income, adjusted earnings per share and diluted adjusted earnings per share for the first half of 2015 have been restated to exclude unrealized foreign exchange differences on foreign currency financing for investments of an exceptional nature.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	1st half 2016	1st half 2015
Net income	**249**	**174**
Hedging adjustments	11	5
Other items	(6)	1
Deferred taxes on hedging adjustments and other items	(1)	1
Change in translation adjustments	(42)	117
Other recyclable comprehensive income	**(38)**	**124**
Actuarial gains and losses	(16)	41
Deferred taxes on actuarial gains and losses	2	(10)
Other non-recyclable comprehensive income	**(14)**	**31**
Total income and expenses recognized directly through equity	**(52)**	**155**
Comprehensive income	**197**	**329**
Of which: non-controlling interests	-	1
Comprehensive income – Group share	**197**	**328**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	Notes	**30 June 2016**	**31 December 2015**
ASSETS			
Intangible assets, net	(C7)	2,377	2,410
Property, plant and equipment, net	(C8)	2,577	2,727
Equity affiliates: investments and loans		33	29
Other investments		29	29
Deferred tax assets		183	193
Other non-current assets		235	204
TOTAL NON-CURRENT ASSETS		***5,434***	***5,592***
Inventories		1,118	1,129
Accounts receivable		1,247	1,051
Other receivables and prepaid expenses		192	190
Income taxes recoverable		35	33
Other current financial assets		7	15
Cash and cash equivalents		677	711
TOTAL CURRENT ASSETS		***3,276***	***3,129***
TOTAL ASSETS		**8,710**	**8,721**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		756	745
Paid-in surplus and retained earnings		2,996	2,864
Treasury shares		(5)	(3)
Translation adjustments		254	294
SHAREHOLDERS' EQUITY - GROUP SHARE	(C9)	***4,001***	***3,900***
Non-controlling interests		48	49
TOTAL SHAREHOLDERS' EQUITY		***4,049***	***3,949***
Deferred tax liabilities		292	307
Provisions for pensions and other employee benefits	(C10)	546	571
Other provisions and non-current liabilities	(C11)	436	453
Non-current debt	(C13)	1,868	1,873
TOTAL NON-CURRENT LIABILITIES		***3,142***	***3,204***
Accounts payable		846	884
Other creditors and accrued liabilities		378	378
Income taxes payable		63	68
Other current financial liabilities		17	21
Current debt	(C13)	215	217
TOTAL CURRENT LIABILITIES		***1,519***	***1,568***
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**8,710**	**8,721**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	1st half 2016	1st half 2015
Net income	249	174
Depreciation, amortization and impairment of assets	243	237
Provisions, valuation allowances and deferred taxes	(51)	(85)
(Gains)/losses on sales of assets	(2)	(5)
Undistributed affiliate equity earnings	(4)	(4)
Change in working capital	(186)	(67)
Other changes	10	4
Cash flow from operating activities	**259**	**254**
Intangible assets and property, plant, and equipment additions	(168)	(151)
Change in fixed asset payables	(50)	(76)
Acquisitions of operations, net of cash acquired	-	(1,298)
Increase in long-term loans	(39)	(22)
Total expenditures	(257)	(1,547)
Proceeds from sale of intangible assets and property, plant, and equipment	7	6
Change in fixed asset receivables	-	-
Proceeds from sale of operations, net of cash sold	20	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	8	10
Total divestitures	35	16
Cash flow from investing activities	**(222)**	**(1,531)**
Issuance (repayment) of shares and other equity	46	92
Purchase of treasury shares	(6)	(4)
Dividends paid to parent company shareholders	(143)	(135)
Dividends paid to minority shareholders	(1)	(2)
Changes in dividends payable	-	47
Increase / decrease in long-term debt	(3)	450
Increase / decrease in short-term borrowings and bank overdrafts	3	36
Cash flow from financing activities	**(104)**	**484**
Net increase/(decrease) in cash and cash equivalents	(67)	(793)
Effect of exchange rates and changes in scope	33	(6)
Cash and cash equivalents at beginning of period	711	1,149
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**677**	**350**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

(In millions of euros)	Share capital	Paid-in surplus	Hybrid bonds	Retained earnings	Translation adjustments	Treasury shares	Shareholders' equity – Group share	Non-controlling interests	Shareholders' equity
At 1 January 2015	**728**	**1,093**	**689**	**844**	**178**	**(3)**	**3,529**	**44**	**3,573**
Cash dividend	-		-	(135)	-	-	(135)	(2)	(137)
Issuance of share capital	15	77	-	-	-	-	92	-	92
Purchase of treasury shares	-	-	-	-	-	(4)	(4)	-	(4)
Grants of treasury shares to employees	-	-	-	(7)	-	7	-	-	-
Share-based payments	-	-	-	3	-	-	3	-	3
Other	-	-	-	2	-	-	2	3	5
Transactions with shareholders	**15**	**77**	**-**	**(137)**	**-**	**3**	**(42)**	**1**	**(41)**
Net income	-	-	-	175	-	-	175	(1)	174
Total income and expense recognized directly through equity	-	-	-	38	115	-	153	2	155
Comprehensive income	**-**	**-**	**-**	**213**	**115**	**-**	**328**	**1**	**329**
At 30 June 2015	**743**	**1,170**	**689**	**920**	**293**	**-**	**3,815**	**46**	**3,861**

A. HIGHLIGHTS

A.1 Portfolio management

Project to divest the Activated Carbon and Filter Aid business

On 14 April 2016 Arkema announced a project to divest its Activated Carbon and Filter Aid business, which represents sales of some €93 million and has around 300 employees, to the American group Calgon Carbon. The offer received is based on a €145 million enterprise value, i.e. a multiple of 9.5 on the basis of the 2015 EBITDA. This proposed divestment requires the approval of the relevant antitrust authorities. It should be finalized in the 4th quarter of 2016.

Acquisition of acrylics assets in China

In early 2016 Arkema decided not to exercise its €200 million option to double its capacity rights in the joint venture Taixing Sunke Chemicals. However, the Group continued discussions with its partner to establish an optimized arrangement based on a 50/50 division of capacity rights, allowing Arkema access to an additional 80,000 tonnes of annual acrylic acid capacity for a cash outlay limited to approximately €40 million. As the contracts have now been signed and implementation is in progress, the cash payment should be made during the third quarter of 2016. This joint venture will continue to be accounted for as a joint operation.

A.2 Other highlights

In April 2016, Arkema successfully carried out its fifth capital increase reserved for employees. 998,072 shares were subscribed at the price of €42.16 per share, giving a total amount of €42 million (see notes C9 and C14).

B. ACCOUNTING POLICIES

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

Basis for preparation

The Group's condensed consolidated interim financial statements at 30 June 2016 were prepared under the responsibility of the Chairman and CEO of Arkema and were approved by the Board of Directors of Arkema on 2 August 2016.

The condensed consolidated interim financial statements at 30 June 2016 were prepared in compliance with IAS 34 "Interim financial reporting" and established in accordance with the IFRSs (International Financial Reporting Standards) issued by the IASB (International Accounting Standards Board) and IFRSs newly adopted by the European Union at 30 June 2016. 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 2015.

The accounting framework and standards adopted by the European Union can be consulted on the following website:
http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

Changes in IFRSs and interpretations

The accounting policies applied in preparing the condensed consolidated interim financial statements at 30 June 2016 are identical to those used in the consolidated financial statements at 31 December 2015, 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 2016 (and which had not been applied early by the Group), namely:

Amendments to IAS 1	Presentation of financial statements	Adopted by the European Union on 19 December 2015
Amendments to IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortization	Adopted by the European Union on 3 December 2015
Amendments to IAS 19	Defined benefit plans: employee contributions	Adopted by the European Union on 9 January 2015
Amendments to IAS 27	Equity method in separate financial statements	Adopted by the European Union on 23 December 2015
Amendments to IFRS 11	Accounting for acquisitions of interests in joint operations	Adopted by the European Union on 25 November 2015
	Annual improvements to IFRS cycle 2010-2012	Adopted by the European Union on 9 January 2015
	Annual improvements to IFRS cycle 2012-2014	Adopted by the European Union on 16 December 2015

The standards, amendments and interpretations published by the IASB and the IFRS IC (IFRS Interpretations Committee) which were not yet in force at 1 January 2016 and have not been applied early by the Group, are:

Amendments to IFRS 9 and IFRS 7	Mandatory effective date and transition disclosures	Not adopted by the European Union at 30 June 2016
Amendments to IFRS 9	Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39	Not adopted by the European Union at 30 June 2016
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate/joint venture	Not adopted by the European Union at 30 June 2016
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation exception	Not adopted by the European Union at 30 June 2016
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	Not adopted by the European Union at 30 June 2016
Amendments to IAS 7	Disclosure Initiative	Not adopted by the European Union at 30 June 2016
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	Not adopted by the European Union at 30 June 2016
IFRS 9	Financial instruments	Not adopted by the European Union at 30 June 2016
IFRS 15	Revenue from contracts with customers	Not adopted by the European Union at 30 June 2016
Clarifications to IFRS 15	Clarifications to IFRS 15 'Revenue from Contracts with Customers'	Not adopted by the European Union at 30 June 2016
IFRS 16	Leases	Not adopted by the European Union at 30 June 2016

Use of assumptions

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

Impact of seasonality

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

• demand for products manufactured by the Group is generally softer in the summer months (July-August) and in December, notably as a result of the slowdown in industrial activity during these months, particularly in France and the rest of Europe;

• in some of the Group's businesses, particularly those serving the paints and coatings as well as the refrigeration and air-conditioning markets, sales are generally higher in the first half of the year than in the second half. By contrast, in adhesives, both halves of the year are relatively well balanced;

• the major multi-annual maintenance turnarounds at the Group's production plants also have an impact on seasonality.

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

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Information by business segment

As required by IFRS 8, “Operating Segments”, segment information for the Group is presented in accordance with the business segments identified in the internal reports that are regularly reviewed by general management in order to allocate resources and assess financial performance.
The Arkema Group has three business segments: High Performance Materials, Industrial Specialties and Coating Solutions. Two members of the Executive Committee supervise these segments; they report directly to the Chairman and CEO, the Group’s chief operating decision-maker as defined by IFRS 8, and are in regular contact with him for the purpose of discussing their sector’s operating activity, financial results, forecasts and plans.

The content of the business segments is as follows:

• High Performance Materials includes the following Business Lines:

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

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

• Industrial Specialties groups the following Business Lines: Thiochemicals, Fluorochemicals, PMMA and Hydrogen Peroxides. These integrated industrial niche markets on which the Arkema Group is among the world leaders concern products used in several industrial sectors such as production of cold (refrigeration and air conditioning), petrochemicals, refining, paper pulp, animal nutrition, electronics and the automotive industry.

• Coating Solutions comprises the following Business Lines:

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

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

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

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

1st half 2016

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

1st half 2015

(In millions of euros)	High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	**Total**
Non-Group sales	**1,649**	**1,310**	**1,005**	**13**	**3,977**
Inter-segment sales	7	64	35	-	
Total sales	**1,656**	**1,374**	**1,040**	**13**	
EBITDA	**260**	**221**	**114**	**(38)**	**557**
Depreciation and amortization	(73)	(85)	(57)	(1)	(216)
Recurring operating income	**187**	**136**	**57**	**(39)**	**341**
Other income and expenses	(61)	(8)	(12)	(1)	(82)
Operating income	**126**	**128**	**45**	**(40)**	**259**
Equity in income of affiliates	-	5	-	-	5
Intangible assets and property, plant, and equipment additions	50	82	16	3	151

2. Information by geographical area

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

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

1st half 2015 *(In millions of euros)*	France	Rest of Europe	NAFTA(1)	Asia	Rest of the world	**Total**
Non-Group sales	408	1,113	1 357	911	188	**3,977**

(1) NAFTA: USA, Canada, Mexico

3. Other income and expenses

	1st half 2016			1st half 2015		
(In millions of euros)	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environment	(3)	-	(3)	(20)	-	(20)
Goodwill impairment	-	-	-	-	-	-
Asset impairment (other than goodwill)	-	-	-	-	-	-
Litigation and claims	-	-	-	-	-	-
Gains (losses) on sales and purchases of assets	(5)	-	(5)	(46)	-	(46)
Depreciation and amortization related to allocation of the acquisition price for Bostik	(19)	-	(19)	(16)		(16)
Other	-	26	26	-	-	-
Total other income and expenses	**(27)**	**26**	**(1)**	**(82)**	**-**	**(82)**

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

Net restructuring and environment expenses amount to €20 million in the first half of 2015. They include asset impairment and provisions recorded in connection with discontinuation of coatings resin production at the Villers-Saint-Paul site amounting to a total €6 million (including €2 million of asset impairment), and a provision of €6 million concerning the shutdown of the Bernouville site for the PMMA Business Line.

Gains and losses on sales and purchases of assets mainly comprise the revaluation difference on Bostik inventories (difference between production cost and the fair value at acquisition date), which amounts to €36 million. Depreciation and amortization related to revaluation of tangible and intangible assets of Bostik amount to €16 million.

4. Adjusted net income

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

(In millions of euros)	Notes	1st half 2016	1st half 2015
Net income - Group share		**245**	**175**
Other income and expenses	(C3)	1	82
Unrealised exchange differences on foreign currency financing for investments of an exceptional nature*		-	11
Taxes on other income and expenses		(6)	(20)
Non-current taxation	(C5)	-	(60)
Adjusted net income		**240**	**188**

* The components of adjusted net income for the first half of 2015 have been restated to exclude unrealized foreign exchange differences on foreign currency financing for investments of an exceptional nature by the Malaysian company that holds the investments in Thiochemicals. The Arkema Group's financial statements at 31 December 2015 have been restated to reflect the change in this subsidiary's functional currency: this restatement was not applied in the financial statements at 30 June 2015 (see note C5 to the consolidated financial statements at 31 December 2015 – Financial result).

5. Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	**1st half 2016**	**1st half 2015**
Current income taxes	(127)	(110)
Deferred income taxes	1	74
Total income taxes	**(126)**	**(36)**

The income tax expense amounts to €126 million at 30 June 2016, including €7 million for the CVAE and €4 million relating to the additional income tax contribution due on distributed income (compared with €36 million at 30 June 2015, including €7 million for the CVAE, €1 million relating to the additional income tax contribution due on distributed income, and a deferred tax asset of €60 million related to acquisition of Bostik and the Group's tax position in France).

6. Earnings per share

	1st half 2016	**1st half 2015**
Weighted average number of ordinary shares	74,799,919	72,946,518
Dilutive effect of stock options	160,387	277,536
Dilutive effect of free share grants	59,553	62,773
Weighted average number of potential ordinary shares	75,019,859	73,286,827

Earnings per share is determined below:

	1st half 2016	**1st half 2015**
Earnings per share (€)	3.28	2.40
Diluted earnings per share (€)	3.27	2.39

Adjusted earnings per share is determined below:

	1st half 2016	**1st half 2015**
Adjusted earnings per share (€)*	3.21	2.58
Diluted adjusted earnings per share (€)*	3.20	2.57

* The components of adjusted earnings per share and diluted adjusted earnings per share for the first half of 2015 have been restated to exclude unrealised foreign exchange differences on foreign currency financing for investments of an exceptional nature (see note C4).

7. Intangible assets

7.1 Goodwill

	30 June 2016			**31 December 2015**
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Goodwill	1,849	(550)	1,299	1,320

In the first half of 2016, the change in goodwill corresponds to a foreign exchange effect.

7.2 Other intangible assets

	30 June 2016			31 December 2015
(In millions of euros)	Gross book value	Accumulated amortization and impairment	Net book value	Net book value
Patents and technologies	380	(142)	238	248
Trademarks	444	(5)	439	442
Software and IT licences	254	(153)	101	93
Capitalized REACH costs	39	(15)	24	24
Other capitalized research expenses	5	(2)	3	3
Capitalized contracts	288	(224)	64	69
Asset rights	57	(12)	45	50
Customer relations	58	(5)	53	57
Other intangible assets	24	(15)	9	9
Intangible assets in progress	102	-	102	95
Total	**1,651**	**(573)**	**1,078**	**1,090**

8. Property, plant and equipment

	30 June 2016			31 December 2015
(In millions of euros)	Gross book value	Accumulated depreciation and impairment	Net book value	Net book value
Land and buildings	1,824	(1,120)	704	743
Complex industrial facilities	3,568	(2,801)	767	810
Other property, plant and equipment	2,816	(2,002)	814	876
Construction in progress	300	(8)	292	298
Total	**8,508**	**(5,931)**	**2,577**	**2,727**

9. Shareholders' equity

At 30 June 2016 Arkema's share capital amounts to €756 million, divided into 75,581,125 shares with a nominal value of 10 euros.

Number of shares at 1 January 2015	**72,822,695**
Issuance of shares following the capital increase related to payment of dividends	1,430,888
Issuance of shares following the exercise of subscription options	107,140
Number of shares at 30 June 2015	**74,360,723**
Issuance of shares following the exercise of subscription options	111,378
Number of shares at 31 December 2015	**74,472,101**
Number of shares at 1 January 2016	**74,472,101**
Issuance of shares following the capital increase reserved for employees	998,072
Issuance of shares following the exercise of subscription options	110,952
Number of shares at 30 June 2016	**75,581 125**

- Changes in share capital

Following the exercise of 110,952 share subscription options 110,952 shares were issued, giving rise to a capital increase in the total nominal amount of €1 million.
On 19 April 2016, Arkema carried out a capital increase reserved for employees. 998,072 shares were subscribed at the price of €42.16 per share, the price set by the Board of Directors at its meeting of 2 March 2016, giving a total amount of €42 million.

- Treasury shares

The Company bought back 100,617 treasury shares during the first half of 2016.
In May 2016, the Arkema Group definitively granted 71,719 free shares to its employees in application of plans 2012-3, 2012-4, 2014-3.

Number of treasury shares at 1 January 2015	**55,014**
Repurchases of treasury shares	106,519
Allocation of treasury shares	(124,608)
Number of treasury shares at 31 December 2015	**36,925**

Number of treasury shares at 1 January 2016	**36,925**
Repurchases of treasury shares	100,617
Allocation of treasury shares	(71,719)
Number of treasury shares at 30 June 2016	**65,823**

- Dividends

The combined shareholders' general meeting of 7 June 2016 approved the distribution of a €1.90 dividend per share in respect of the 2015 financial year, or a total amount of €143 million. The dividend was paid out on 13 June 2016.

10. Provisions for pensions and other employee benefits

(In millions of euros)	**30 June 2016**	**31 December 2015**
Pension obligations	388	388
Healthcare and similar coverage	98	123
Post-employment benefits	**486**	**511**
Long service awards	56	55
Other long-term benefits	4	5
Other long-term benefits	**60**	**60**
Provisions for pensions and other employee benefits	**546**	**571**

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

Pension obligations, healthcare and similar coverage	**Europe (excl. UK)**	**UK**	**USA**
At 30 June 2016	1.55%-1.75%	3.00%	3.70%
At 31 December 2015	2.00%	3.50%	4.50%

The present value of accumulated defined benefit obligations at the end of 2015 has been adjusted at 30 June 2016 on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2015 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets has also been reassessed on the basis of new valuations at 30 June 2016. The change in discount rates and the revaluation of assets are included in actuarial gains and losses for the period.

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

(In millions of euros)	Pension obligations	Healthcare and similar coverage	**Total post-employment benefits**
Net liability (asset) at 1 January	**388**	**123**	**511**
Provision recognized in liabilities	388	123	511
Amount recognized in assets	-	-	-
Operating expense for the period	7	(1)	6
Net interest expense	5	2	7
Net contributions and benefits paid by the employer	(12)	(1)	(13)
Liquidations	(35)	-	(35)
Other	(4)	(2)	(6)
Actuarial gains and losses recognized in shareholders' equity	39	(23)	16
Net liability (asset) at 30 June	**388**	**98**	**486**
Provision recognized in liabilities	388	98	486
Amount recognized in assets	0	-	0

Liquidations concern the complementary pension plan for management and the Arkema BV defined-benefit plan:

- Liquidations of the executive management complementary pension plans principally concerned the Chairman and CEO following the resolution adopted at the shareholders' general meeting of 7 June 2016.
- Arkema BV's defined-benefit pension plan in the Netherlands was closed retroactively at 1 January 2016 and outsourced to an insurance company during the first half of 2016; a new defined-contribution plan was set up as of 1 January 2016.

These items were recorded under Other income and expenses in the financial statements at 30 June 2016.

The change in actuarial gains and losses on healthcare and similar coverage mainly relates to the impact of updating actuarial assumptions (discount rates and experience adjustments) for a healthcare plan in the United States.

11. Other provisions and other non-current liabilities

11.1. Other non-current liabilities

Other non-current liabilities amount to €47 million at 30 June 2016 as against €47 million at 31 December 2015.

11.2. Other provisions

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
At 1 January 2016	**194**	**51**	**162**	**407**
Increases in provisions	2	-	16	18
Reversals from provisions on use	(6)	(11)	(12)	(29)
Reversals of unused provisions	-	-	(4)	(4)
Changes in scope	-	-	-	-
Translation adjustments	(2)	-	(1)	(3)
Other	-	-	-	-
At 30 June 2016	**188**	**40**	**161**	**389**

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

(In millions of euros)	**Environmental contingencies**	**Restructuring**	**Other**	**Total**
Total provisions at 30 June 2016	**188**	**40**	**161**	**389**
Portion of provisions covered by receivables or deposits	**35**	**-**	**12**	**47**
Deferred tax asset related to amounts covered by the Total indemnity	21	-	0	21
Provisions at 30 June 2016 net of non-current assets	**132**	**40**	**149**	**321**
For information: **Provisions at 1 January 2016 net of non-current assets**	**134**	**51**	**151**	**336**

11.2.1 Provisions for environmental contingencies

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

- in France for €83 million (€84 million at 31 December 2015),
- In the United States for €79 million (€84 million at 31 December 2015), of which €56 million in respect of former industrial sites covered 100% by the Total Group indemnity (receivable recognized in "other non-current assets" for an amount of €35 million and €21 million of deferred taxes) (see note C15.2 "Off-balance sheet commitments / Commitments received").

11.2.2 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €22 million (€29 million at 31 December 2015), in Europe outside France for €13 million (€17 million at 31 December 2015) and in the United States for €5 million (€5 million at 31 December 2015).

11.2.3 Other provisions

Other provisions amount to €161 million and mainly comprise:

- provisions for labour litigation for €50 million (€49 million at 31 December 2015),
- provisions for commercial litigation and warranties for €48 million (€47 million at 31 December 2015),
- provisions for tax litigation for €24 million (€25 million at 31 December 2015),
- provisions for other risks for €39 million (€41 million at 31 December 2015).

12. Liabilities and contingent liabilities

Liabilities and contingent liabilities are described in note C21 to the consolidated financial statements at 31 December 2015. There was no development in liabilities and contingent liabilities during the first half of 2016 with an actual or potential significant effect on the Group's consolidated financial statements.

13. Debt

13.1 Analysis of net debt by category

Group net debt amounts to €1,406 million at 30 June 2016, taking account of cash and cash equivalents of €677 million.

(In millions of euros)	**30 June 2016**	**31 December 2015**
Bonds	1,828	1,828
Finance lease obligations	2	2
Bank loans	17	28
Other non-current debt	21	15
Non-current debt	**1,868**	**1,873**
Finance lease obligations	0	0
Syndicated credit facility	-	-
Commercial paper	-	,-
Other bank loans	189	191
Other current debt	26	26
Current debt	**215**	**217**
Debt	**2,083**	**2,090**
Cash and cash equivalents	677	711
Net debt	**1,406**	**1,379**

Bonds

At 30 June 2016, the fair values of the bonds issued by the Group are as follows:

- €500 million bond: €526 million,
- €480 million bond: €547 million,
- €150 million bond (issued as Euro Medium Term Notes (EMTN)): €172 million,
- €700 million bond (issued as Euro Medium Term Notes (EMTN)): €726 million.

13.2 Analysis of debt by currency

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

(In millions of euros)	**30 June 2016**	**31 December 2015**
Euros	1,863	1,878
US Dollars	24	31
Chinese Yuan	159	147
Other	37	34
Total	**2,083**	**2,090**

Part of the debt in Euros is converted through swaps to the accounting currency of internally-financed subsidiaries, in line with the Group's policy.

13.3 Analysis of debt by maturity

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

(In millions of euros)	**30 June 2016**	**31 December 2015**
Less than 1 year	260	246
Between 1 and 2 years	566	585
Between 2 and 3 years	35	35
Between 3 and 4 years	517	35
Between 4 and 5 years	16	515
More than 5 years	915	928
Total	**2,309**	**2,344**

14. Share-based payments

14.1 Stock options

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

Movements in the stock subscription option plans granted up until 30 June 2016 are as follows:

	Plan 2008	**Plan 2010-1**	**Plan 2010-2**	**Plan 2011-1**	**Plan 2011-2**
Number of options granted	**465,437**	**230,044**	**233,513**	**109,082**	**109,082**
- to a corporate officer	52,676	36,361	36,361	30,386	30,386
- to the 10 largest beneficiaries*	172,130	105,505	107,851	78,696	78,696
Total number of options exercised	**440,203**	**129,702**	**70,093**	**8,519**	**8,519**
- by a corporate officer	52,676	12,000	22,000	-	-
- to the 10 largest beneficiaries*	160,130	65,416	19,315	8,519	8,519
Total number of options cancelled	25,234	7,000	22,174	-	-
NUMBER OF OPTIONS					
In circulation at 1 January 2016	69,313	98,708	166,838	109,082	109,082
Granted	-	-	-	-	-
Cancelled	6,357	-	-	-	-
Exercised	62,956	5,366	25,592	8,519	8,519
In circulation at 30 June 2016	**-**	**93,342**	**141,246**	**100,563**	**100,563**

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

The amount of the IFRS 2 expense recognized in respect of stock options at 30 June 2016 is nil (below €0.5 million at 30 June 2015).

14.2 Free share grants

Following the general meeting of the Company's shareholders held on 7 June 2016 (18th resolution), the Board of Directors confirmed on 7 June 2016 the attribution of 50,000 free shares to the Chairman and CEO in compensation for some of the conditional rights vested to him under the complementary defined-benefit pension plan from which he previously benefited and which has now been terminated by the Board. In view of this decision, the entire expense for attribution of these free shares was recognized in Other income and expenses in the financial statements at 30 June 2016.

Movements in the free share grant plans awarded up until 30 June 2016 are as follows:

	Plan 2012-3	Plan 2012-4	Plan 2013	Plan 2014-1	Plan 2014-2	Plan 2014-3	Plan 2015-1	Plan 2015-2	Plan 2016-1[1]	Plan 2016-2[1]	Plan 2016-3
Total number of free shares granted	**65,335**	**17,163**	**250,000**	**750**	**275,000**	**16,368**	**285,525**	**59,595**	**41,228**	**2,050**	**50,000**
-to a corporate officer	-	-	26,000	-	26,000	-	26,000	-	-	-	50,000
-to the 10 largest beneficiaries[2]	16,400	200	75,400	50	71,600	200	79,600	1,000	250	50	-
NUMBER OF FREE SHARES											
In circulation at 1 January 2016	62,665	14,059	246,110	415	273,895	16,368	284,275	59,355	-	-	-
Granted	-	-	-	-	-	-	-	-	41,228	2,050	50,000
Cancelled	3,835	1,190	1,570	-	970	-	1,300	-	-	-	-
Definitively granted	58,830	12,869	-	-	-	20	-	-	-	-	-
In circulation at 30 June 2016	**-**	**-**	**244,540**	**415**	**272,925**	**16,348**	**282,975**	**59,355**	**41,228**	**2,050**	**50,000**

(1) Plans described in note C14.3 "Capital increase reserved for employees"
(2) Employees who are not corporate officers of Arkema S.A. or any other Group company

The amount of the IFRS 2 expense recognized in respect of free shares at 30 June 2016 is €7 million (€3 million at 30 June 2015).

14.3 Capital increase reserved for employees

In line with its employee shareholding policy, the Arkema Group offered its employees the possibility to subscribe to a reserved capital increase at the subscription price of €42.16. This price corresponds to the average opening price of the Arkema share quoted on the Paris stock exchange in the 20 trading days prior to the date of the Board of Directors' meeting of 2 March 2016, minus a 20% discount.
The shares subscribed through this operation cannot be sold for five years, except in the United States where the minimum holding period is 3 years.
The employees subscribed for 998,072 shares for the total amount of €42 million, and the capital increase was recognized on 19 April 2016 and completed on 26 April 2016.

Arkema shares were also given to Group employees located outside France via a free share grant plan: one free share was awarded for every four shares subscribed up to a maximum of 25 free shares per person.
On 10 May 2016, the Board of Directors formally noted the attribution of 41,228 free shares to employees located outside France, as part of this operation. These shares will only be definitively granted after variable vesting periods of 3 and 4 years, depending on the country.

Finally, on 10 May 2016, the Board of Directors decided to put in place a plan to award 2,050 free shares for the benefit of Group employees who had not been able to participate in the capital increase reserved for employees undertaken on 26 April 2016. The only condition for awarding these shares is a presence condition, and they will be definitively granted after a vesting period of 4 years from the date of the Board's decision to award them.

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 a certain period 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 attribution of free shares to Group employees located outside France.

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

Country of subscription	**France**	**United States**	**Italy and Spain**	**Other main countries**
Date of the Board meeting which decided on the capital increase	2 March 2016	2 March 2016	2 March 2016	2 March 2016
Share price at the date of the board meeting (€)	58.60	58.60	58.60	58.60
Risk-free interest rate (at 2 March 2016)*	-0.24%	0.98%	0.39%	-0.38%
Borrowing rate**	10.38%	11.34%	10.38%	11.00%
Cost of not being able to sell the shares	36.23%	27.50%	36.68%	39.05%

* *5-year risk-free rate, except for the United States (3 years)*

** *Rate on 5-year borrowings*

On the basis of the share price at the date of the Board of Director's meeting that decided on the capital increase reserved for employees, the benefit granted represents a value of €16 million.

Based on the cost of not being able to sell the shares as indicated above, an IFRS 2 expense of €1 million will be recognized over the vesting period of the shares concerned.

15. Off-balance sheet commitments

15.1 Commitments given

15.1.1 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 2016**	**31 December 2015**
Guarantees granted	79	77
Comfort letters	-	-
Contractual guarantees	10	7
Customs and excise guarantees	20	21
Total	**109**	**106**

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.

15.1.2 Contractual commitments related to the Group's operating activities

- Irrevocable purchase commitments

In the normal course of business, the Arkema Group has signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods initially of 1 to 30 years is a normal practice for companies in the Group's business sector in order to cover their needs.

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

The total amount of the Group's financial commitments is €357 million at 30 June 2016 (see maturity schedule below).

(In millions of euros)	**30 June 2016**	**31 December 2015**
2016	139	167
2017	62	58
2018	50	44
2019	40	35
2020 until expiry of the contracts	66	63
Total	**357**	**367**

- Lease commitments

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

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

	30 June 2016		**31 December 2015**	
(In millions of euros)	**Capitalized leases**	**Non-capitalized leases**	**Capitalized leases**	**Non-capitalized leases**
2016	0	15	0	17
2017	0	21	0	13
2018	0	18	0	11
2019	0	14	0	10
2020 and beyond	0	49	1	35
Nominal value of future lease payments	**2**	**117**	**2**	**86**
Finance cost	0	NA	0	NA
Present value	**2**	**NA**	**2**	**NA**

NA: not applicable

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

Warranties related to sales of businesses

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

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted by the Group amounts to €112 million at 30 June 2016 (€113 million at 31 December 2015). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

15.1.4 Off-balance sheet commitments related to Group financing

These commitments are described in note C22 to the consolidated financial statements at 31 December 2015 “Debt”.

15.2 Commitments received

Commitments received from TOTAL in 2006

In connection with the Spin-Off of Arkema’s Businesses, Total S.A. and certain Total companies extended certain indemnities, or assumed certain obligations, for the benefit of the Arkema Group, 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 below.

15.2.1 Indemnities extended by Total in respect of certain antitrust litigation

In order to cover potential risks in connection with antitrust litigation relating to anti-competitive agreements in Europe and the United States and arising from facts prior to 18 May 2006 (or prior to 7 March 2006, as the case may be), Total S.A. extended indemnities to Arkema and Elf Aquitaine, Inc. extended indemnities to Arkema Amériques SAS. All these indemnities terminated at 18 May 2016.

15.2.2 Obligations and indemnities given in respect of Former Industrial Sites

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

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

Agreement relating to certain former industrial sites located in the United States

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

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

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

The indemnity described above is capped at $270 million. The amount received by Arkema under this indemnity amounted to $93 million. At the same time as the stock purchase agreement and the indemnity described above, Legacy Site Services LLC and Arkema Inc. entered into a supplemental contamination indemnity agreement pursuant to which Legacy Site Services LLC will indemnify the liabilities of the Group in excess of $270 million, on the same terms, for the same sites and subject to the same exceptions as the indemnity described in the preceding paragraph.

15.2.3 Tax indemnity granted by Total S.A.

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

A litigation covered by this indemnity is still ongoing.

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

As part of the Total Spin-Off Agreement, Total S.A. and Arkema made certain representations and warranties, some of them in connection with the separation of the Arkema Group from Total; these representations and warranties terminated on 18 May 2016.

16. Subsequent events

On 20 July 2016 Arkema announced the planned acquisition of Den Braven, a leading player in high-performance sealants in Europe, for an enterprise value of €485 million. This project is part of the Group's strategy for active development of its High Performance Materials business segment, particularly the Specialty Adhesives business line. With annual sales of €350 million (estimate for 2016), an EBITDA margin of 12.5% (estimate for 2016) and around 1,000 employees, Den Braven will reinforce Bostik's offering in the insulation and construction markets, and help create a global leader in the high-performance sealants market. Offering significant synergies of at least €30 million a year which should be fully realized over a 5-year horizon, this acquisition is a high value-creation project. It is subject to the legally-required process for information and consultation of Arkema BV's employee representatives in the Netherlands, and must be approved by the antitrust authorities. The operation is expected to be completed in the final quarter of 2016.

D. SCOPE OF CONSOLIDATION AT 30 JUNE 2016

(a) Companies sold in 2016

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

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

Arkema Quimica SA	Spain	99.92	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 Taixing Chemicals	China	100.00	FC
Arkema Thiochemicals Sdn Bhd	Malaysia	86.00	FC
Arkema Yoshitomi Ltd.	Japan	49.00	SI
ATO Findley Deutschland Gmbh	Germany	100.00	FC
Bostik AB (Sweden)	Sweden	100.00	FC
Bostik AS	Estonia	100.00	FC
Bostik Argentina	Argentina	100.00	FC
Bostik AS (Denmark)	Denmark	100.00	FC
Bostik AS (Norway)	Norway	100.00	FC
Bostik Australia	Australia	100.00	FC
Bostik Belux NV SA	Belgium	100.00	FC
Bostik BV	Netherlands	100.00	FC
Bostik Canada	Canada	100.00	FC
Bostik Egypt For Production of Adhesives S.A.E	Egypt	100.00	FC
Bostik Findley (China) Co Ltd.	China	100.00	FC
Bostik Findley Malaysia Sdn.-Bhd.	Malaysia	100.00	FC
Bostik Gmbh	Germany	100.00	FC
Bostik Holding Australia Ltd	Australia	100.00	FC
Bostik Holding BV	Netherlands	100.00	FC
Bostik Holding Hong Kong Ltd.	Hong Kong	100.00	FC
Bostik Holding SA	France	100.00	FC
Bostik Inc.	United States	100.00	FC
Bostik India Private Ltd.	India	100.00	FC
Bostik Industries Ltd.	Ireland	100.00	FC
Bostik Korea Ltd.	South Korea	100.00	FC
Bostik Ltd.	United Kingdom	100.00	FC
Bostik Mexicana SA de CV	Mexico	100.00	FC
Bostik Nederland BV	Netherlands	100.00	FC
Bostik New Zealand	New Zealand	100.00	FC
Bostik-Nitta Co. Ltd.	Japan	66.00	FC
Bostik OOO	Russia	100.00	FC
Bostik OY	Finland	100.00	FC
Bostik Philippines Inc.	Philippines	100.00	FC
Bostik Polska SP Z.O.O	Poland	100.00	FC
Bostik SA	France	100.00	FC
Bostik SA (Spain)	Spain	100.00	FC
Bostik SIA	Latvia	100.00	FC
Bostik (Shanghai) Management Co. Ltd.	China	100.00	FC
Bostik (Thailand) Co. Ltd	Thaïland	100.00	FC

Bostik UAB		Lithuania	100.00	FC
Bostik Vietnam Company Ltd		Vietnam	100.00	FC
Ceca Belgium		Belgium	100.00	FC
Ceca Italiana Srl		Italy	100.00	FC
Ceca LC		France	100.00	FC
Ceca SA		France	100.00	FC
Ceca Watan Saudi Arabia		Saudi Arabia	51.00	FC
Cekomastik Kimya Sanayi Ve Ticaret A.S		Turkey	100.00	FC
Changshu Coatex Additives Co. Ltd.		China	100.00	FC
Changshu Haike Chemicals Co. Ltd.		China	49.00	FC
CJ Bio Malaysia Sdn. Bhd.		Malaysia	14.00	SI
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Central Eastern Europe sro		Slovaquie	100.00	FC
Coatex Inc.		United States	100.00	FC
Coatex Latin America Industria et Comercio Ltda		Brazil	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex SAS		France	100.00	FC
Daikin Arkema Refrigerants Asia Ltd.		Hong Kong	40.00	JV
Daikin Arkema Refrigerants Trading (Shanghai) Co. Ltd.		China	40.00	JV
Delaware Chemicals Corporation		United States	100.00	FC
Febex SA		Switzerland	96.77	FC
Hebei Casda Biomaterials Co. Ltd		China	100.00	FC
Ihsedu Agrochem Private Ltd		India	24.90	SI
Jiangsu Bostik Adhesive Co. Ltd		China	100.00	FC
Maquiladora General de Matamoros SA de CV		Mexico	100.00	FC
MEM BAUCHEMIE Gmbh		Germany	100.00	FC
Michelet Finance, Inc.		United States	100.00	FC
MLPC International		France	100.00	FC
Newspar	(a)	Canada	50.00	JO
Mydrin Srl		Italy	100.00	FC
ODOR-TECH LLC		United States	100.00	FC
Oxido Srl		Italy	100.00	FC
Oxochimie		France	50.00	JO
Ozark Mahoning Company		United States	100.00	FC
PT Bostik Indonesia		Indonesia	100.00	FC
Sartomer Asia Limited		Hong Kong	100.00	FC
Sartomer Guangzhou Chemical Co. Ltd.		China	100.00	FC
Sartomer Shanghai Distribution Company Limited		China	100.00	FC
Seki Arkema		South Korea	51.00	FC
Shanghai Arkema Gaoyuan Chemicals Co. Ltd		China	100.00	FC
Société Marocaine des Colles		Morocco	97.01	FC
Sovereign Chemicals Ltd		United Kingdom	100.00	FC
Suzhou Hipro Polymers Co. Ltd		China	100.00	FC
Taixing Sunke Chemicals		China	55.00	JO

Tamer Endustriyel Madencilik Anonim Sirketi	Turkey	50.00	FC
Turkish Products, Inc.	United States	100.00	FC
Usina Fortaleza Industria E commercio de massa fina Ltda	Brazil	100.00	FC
Vetek	Argentina	60.00	FC
Viking chemical company	United States	100.00	FC
Zhuhai Bostik Adhesive Ltd	China	100.00	FC

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

III - DECLARATION BY THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT AT 30 JUNE 2016

I certify that, to the best of my knowledge, the condensed consolidated financial statements have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all its consolidated companies, and that the half-year activity report 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.

Colombes, 3 August 2016

Thierry Le Hénaff
Chairman and CEO

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

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

Arkema

For the period from January 1 to June, 30, 2016

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

KPMG Audit
Département de KPMG S.A.
Tour EQHO
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
S.A.S. à capital variable

Commissaire aux Comptes
Membre de la compagnie
régionale de Versailles

Arkema

For the period from January 1 to June 30, 2016

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

To the Shareholders,

In compliance with the assignment entrusted to us by your annual general meetings and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code ("code monétaire et financier"), we hereby report to you on:

- the review of the accompanying (condensed) half-yearly consolidated financial statements of Arkema, for the period from January 1 to June 30, 2016.
- the verification of the information presented in the half-yearly management report.

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

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

1. Conclusion on the financial statements

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

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

2. Specific verification

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

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

Paris-La Défense, August 2, 2016

The statutory auditors *French original signed by*

KPMG Audit
Département de KPMG S.A.

ERNST & YOUNG Audit

Bertrand Desbarrières François Quédiniac Denis Thibon