Société anonyme au capital de 612 793 970 euros
Siège social : 420, rue d'Estienne d'Orves
92700 Colombes
RCS 445 074 685 Nanterre

HALF-YEAR FINANCIAL REPORT

First half ended June 30th 2010

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This is a free translation in English of Arkema's half-year financial report for the 1st half ended June 30th 2010 issued in French and it is provided solely for the convenience of English speaking readers.

I- HALF-YEAR ACTIVITY REPORT

I. HIGHLIGHTS OF THE FIRST HALF OF THE YEAR

Arkema continued to implement the transformation strategy launched four years ago. Accordingly, two major projects were closed successfully in the first half of the year: the start-up and ramp-up of a new production plant in China in Fluorochemicals which contributes to increase our presence in Asia, and the integration of assets purchased from Dow which is strengthening our position in the acrylics sector.

1. Growth projects

On January 25th 2010 Arkema achieved a major step in its development with the acquisition of certain acrylic assets in North America from The Dow Chemical Company. The acrylic acid and esters production plant at Clear Lake (Texas) became part of the Acrylics BU, while the specialty acrylic latex business (UCAR™ Emulsion Systems) formed the Group's new Emulsion Systems BU. This acquisition enables Arkema to expand its offering in the Coatings sector, and to consolidate its position in acrylic monomers, in which the Group is now the 3rd and the 2nd leading player in the world and in North America respectively.

In May 2010, as part of the Arkema Daikin Advanced Fluorochemicals Co. Ltd joint venture, Arkema announced the startup of a Forane® 125 (HFC-125 fluorinated gas) world-scale production plant built on its Changshu site in China. HFC-125 is an essential component of new generation refrigerant blends. This project contributes to increase the Group's position in China and in Asia, a region in which the Group aims to achieve 22% of its overall sales by 2014.

2. Other highlights

In April 2010 Arkema conducted a share capital increase reserved for its employees, with the aim of continuing to encourage them to be part of the Group's transformation. 824,424 securities were subscribed for at a purchase price of €20.63 per share, representing a total value of €17 million. Employee shareholding on June 30th 2010 accounted for over 5%.

In May 2010 Arkema announced the sale of three licenses for the use of PVC production processes to the Chinese company Qinghai Salt Lake Industry Group Co., Ltd. As part of a cooperation agreement reached in November 2008 between Arkema and Aker Solutions (a leading global provider of engineering and construction services), this sale illustrates the success of this partnership.

Following the effective release of the necessary funding for the running of the Exeltium consortium, which it is part of, Arkema France has subscribed for its quota of the share capital increase conducted by Exeltium. Arkema plans to draw some of its electricity requirements from the beginning of 2011 under the terms set out in the industrial partnership agreement for the long-term supply of electricity signed between Exeltium and EDF.

II. ANALYSIS OF FINANCIAL RESULTS FOR FIRST HALF 2010

(In millions of euros)	1st half 2010	1st half 2009	Variations in %
Sales	**2,913**	**2,259**	**+29%**
EBITDA	**378**	**127**	**3.0x**
Recurring operating income	**236**	**-10**	**n.a.**
Other income and expenses	-4	-98	
Operating income	**232**	**-108**	**n.a.**
Adjusted net income	**158**	**-55**	**n.a.**
Net income – *Group share*	**159**	**-149**	**n.a.**
Recurring CAPEX	**113**	**125**	**-10%**
Net debt	**367** *(06/30/10)*	**341** *(12/31/09)*	**+8%**

Sales

ARKEMA's sales in 1st half 2010 reached €2,913 million, 29% up over 1st half 2009. Volumes increased by 15.8% at constant scope of business, supported by strong demand in Asia, a recovery in North America, in particular in 2nd quarter 2010, and the contribution of new developments in fast growing sectors. Volumes, however, were still below pre-crisis levels. The 8.4% scope of business effect corresponded primarily to the integration of the acrylics activities purchased from Dow. The price effect accounted for 3.6% in an environment marked by rising raw material costs. The positive translation effect stood at 1.2%.

EBITDA

EBITDA in 1st half 2010 reached €378 million, the Group's best ever performance. This is a threefold increase on 1st half 2009, and is 22% up on EBITDA for the whole of 2009 (€310 million). Beyond the much improved market conditions (except for Vinyl Products), this performance reflects the extent of ARKEMA's transformation in the last 4 years. The new developments in fast growing sectors, the start up of new plants in Asia, and fixed cost reductions fully bore fruit as volumes started to recover. The acrylics assets purchased from Dow benefited from an improvement in market conditions in this sector. These various internal actions made a €77 million contribution to EBITDA.

EBITDA margin rose to 13.0% of sales against 5.6% in 1st half 2009, and 10.6%, its previous highest historical level (1st half 2008).

Operating income

Operating income stood at €232 million in 1st half 2010 against a loss of €108 million in 1st half 2009. It includes €142 million depreciation and amortization and €4 million other expenses. In 1st half 2009 depreciation and amortization amounted to €137 million, while other expenses stood at €98 million, mostly corresponding to expenses related to the plans to restructure Arkema's activities in North America and in the Methacrylates sector in Europe.

Net income, Group share

ARKEMA regained profitability in 1st half 2010 with a €159 million net income - Group share, against a loss of €149 million in 1st half 2009. It includes a €67 million income tax charge representing 28% of the recurring operating income.

Segment performance

Vinyl Products sales stood at €569 million against €523 million in 1st half 2009. Volumes improved in a construction market that has remained challenging in Europe. PVC prices increase offset the rise in the cost of ethylene, but unit margins remained low. By contrast, caustic soda prices were much below those of 1st half 2009, particularly compared to the peak of 1st quarter 2009; however, they did improve over 1st half 2010. EBITDA remained negative at –€8 million (–€5 million in 1st half 2009). Cost reduction has continued, and remains this segment's priority for the coming months. Finally, Qatar Vinyl Company, in which ARKEMA owns a 13% stake, continued to report a very good performance.

Industrial Chemicals sales stood at €1,515 million against €1,052 million in 1st half 2009, 44% up. At constant scope of business, sales grew by 25%, volume and price effects representing 15% and 8% respectively. Dow's former acrylic

activities generated sales of €203 million over the period. EBITDA rose by 84% to €272 million against €148 million in 1st half 2009. Beyond the recovery in volumes and the improvement in margins for acrylic monomers, the significant improvement in EBITDA reflected the success of many internal progress initiatives. The successful start up in 2nd quarter 2010 of the new HFC-125 fluorogas production plant at Changshu (China), the restructuring of the Methacrylates activities in France, and the integration of the acrylic activities from Dow all made a major contribution to EBITDA.
EBITDA margin reached a record high of 18.0% of sales, against 14.1% in 1st half 2009.

Performance Products sales stood at €820 million against €678 million in 1st half 2009. This 21% increase essentially reflects a rise in volumes driven by sustained demand in Asia, an improvement in the United States and Europe, in particular in 2nd quarter, and the growing contribution of new developments in renewable energies and very high performance polymers. In this more favorable environment, EBITDA was 3.3 times greater than in 1st half 2009, at €130 million. Beyond the impact of new products developed by R&D and developments in Asia, this progress reflects the productivity efforts achieved in particular in Technical Polymers and Functional Additives, as well as the resilience of unit margins despite rising raw material costs.

Cash flow

Free cash flow[1] at June 30th 2010 was positive at +€14 million despite a –€131 million[2] change in working capital related to the significant increase in sales. In 1st half of the year ARKEMA continued to optimize its working capital. The working capital on sales ratio[3] dropped to 14.7% at June 30th 2010 against 16.2% at December 31st 2009 and 19.0% at June 30th 2009.

Recurring capital expenditures amounted to €113 million in 1st half 2010 against €125 million in 1st half 2009.

Net debt

Net debt remained low at €367 million (€341 million at December 31st 2009), representing an 18% gearing. This included the impact of the acquisition of Dow's acrylics assets, the subscription to Exeltium's capital, and the payment of a €0.60 dividend per share, all three items totaling €80 million.

III. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are described in note 17 to the condensed consolidated financial statements as at June 30 2010.

IV. HIGHLIGHTS SINCE JUNE 30 2010

Arkema and SolVin have reached an agreement for the purchase of their reciprocal interests within three joint production entities for VCM (vinyl chloride monomer) and PVC (polyvinyl chloride). Accordingly, in July 2010 Arkema became the sole shareholder of the Vinylfos and Vinylberre entities, based in France, respectively producing VCM and PVC and in which Arkema had a 79% and 65% shareholding initially. Meanwhile, Arkema sold to SolVin its 35% stake in Vinilis, the entity located in Spain producing VCM and PVC. This operation aimed at streamlining the operation of these industrial structures will have no impact on Arkema's results.

In July 2010 ARKEMA was granted registration by the United States Environmental Protection Agency (EPA) for Paladin®, a new pre-plant soil fumigant. Developed by ARKEMA's R&D, this innovation will contribute to the objective to generate, by 2014, €400 million sales from new products.

V. 2010 OUTLOOK

Market conditions in July are in line with those observed in the 2nd quarter. In the second half 2010, Arkema will continue to improve its competitiveness, while strengthening its presence in emerging markets and technologies.

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[1] Cash flow from operating and investment activities excluding the impact of portfolio management.
[2] Variation of working capital from consolidated cash flow statement excluding impact of portfolio management.
[3] At end June: working capital at June 30th divided by 4 times the 2nd quarter sales.

Confident for full year 2010, while taking into account the usual seasonality of August and December, notably in Europe, Arkema increases significantly its full-year EBITDA target with an EBITDA that should exceed €600 million, representing approximately twice the EBITDA reported in 2009.

VI. MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties which the Group could face over the next six months are those described in the 2009 Reference Document filed with the *Autorité des marchés financiers* (« AMF ») on April 1st 2010 under number D.10-0209. This document is available on Arkema's website under the heading « Investor Relations » (www.finance.arkema.com) and on the AMF website (www.amf-france.org). Additionally, an update of contingent liabilities, where applicable, is given in a note to the half-year financial statements.

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CONSOLIDATED INCOME STATEMENT

In millions of euros	Notes	1st half 2010	1st half 2009
Sales	(C2&C3)	**2,913**	**2,259**
Operating expenses		(2,418)	(2,014)
Research and development expenses		(68)	(68)
Selling and administrative expenses		(191)	(187)
Recurring operating income	(C2)	**236**	**(10)**
Other income and expenses	(C4)	(4)	(98)
Operating income	(C2)	**232**	**(108)**
Equity in income of affiliates		7	5
Financial result		(12)	(15)
Income taxes	(C6)	(67)	(30)
Net income of continuing operations		**160**	**(148)**
Net income of discontinued operations		-	**-**
Net income		**160**	**(148)**
Of which: non-controlling interests		1	1
Net income - Group share		**159**	**(149)**
Earnings per share (amount in euros)	(C8)	2.62	*(2.47)*
Diluted earnings per share (amount in euros)	(C8)	2.61	*(2.46)*
Depreciation and amortization	(C2)	(142)	(137)
EBITDA *	(C2)	378	127
Adjusted net income *		158	(55)
Adjusted net income per share (amount in euros)	(C8)	2.60	*(0.91)*
Diluted adjusted net income per share (amount in euros)	(C8)	2.60	*(0.91)*

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

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

1st half 2009

In millions of euros	Group share	Non-controlling interests	Total
Net income	**(149)**	**1**	**(148)**
Hedging adjustments	(10)	-	(10)
Actuarial gains and losses	(14)	-	(14)
Change in translation adjustments	17	(1)	16
Other	-	-	-
Tax impact	4	-	4
Total income and expense recognized directly through equity	**(3)**	**(1)**	**(4)**
Total recognized income and expense	**(152)**	**-**	**(152)**

2nd half 2009

In millions of euros	Group share	Non-controlling interests	Total
Net income	**(23)**	**-**	**(23)**
Hedging adjustments	1	-	1
Actuarial gains and losses	12		12
Change in translation adjustments	(11)	1	(10)
Other	4		4
Tax impact	(3)	-	(3)
Total income and expense recognized directly through equity	**3**	**1**	**4**
Total recognized income and expense	**(20)**	**1**	**(19)**

1st half 2010

In millions of euros	Group share	Non-controlling interests	Total
Net income	**159**	**1**	**160**
Hedging adjustments	(2)	-	(2)
Actuarial gains and losses	(31)	-	(31)
Change in translation adjustments	182	3	185
Other	1	-	1
Tax impact	7	-	7
Total income and expense recognized directly through equity	**157**	**3**	**160**
Total recognized income and expense	**316**	**4**	**320**

CONSOLIDATED BALANCE SHEET

In millions of euros	Notes	**30 June 2010**	**31 December 2009**
ASSETS			
Intangible assets, net	(C9)	497	481
Property, plant and equipment, net	(C10)	1,700	1,608
Equity affiliates: investments and loans		67	59
Other investments		39	21
Deferred income tax assets		23	21
Other non-current assets		84	88
TOTAL NON-CURRENT ASSETS		**2,410**	**2,278**
Inventories	(C11)	853	737
Accounts receivable		1,080	710
Other receivables and prepaid expenses		156	118
Income taxes recoverable		10	9
Other current financial assets		6	4
Cash and cash equivalents		72	89
Total assets of discontinued operations		-	-
TOTAL CURRENT ASSETS		**2,177**	**1,667**
TOTAL ASSETS		**4,587**	**3,945**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital		613	605
Paid-in surplus and retained earnings		1,371	1,264
Treasury shares		-	-
Translation adjustments		104	(78)
SHAREHOLDERS' EQUITY - GROUP SHARE	(C12)	**2,088**	**1,791**
Non-controlling interests		25	22
TOTAL SHAREHOLDERS' EQUITY		**2,113**	**1,813**
Deferred tax liabilities		47	53
Provisions and other non-current liabilities	(C13)	829	791
Non-current debt	(C15)	95	85
TOTAL NON-CURRENT LIABILITIES		**971**	**929**
Accounts payable		838	603
Other creditors and accrued liabilities		273	233
Income taxes payable		40	20
Other current financial liabilities		8	2
Current debt	(C15)	344	345
Total liabilities of discontinued operations		-	-
TOTAL CURRENT LIABILITIES		**1,503**	**1,203**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**4,587**	**3,945**

CONSOLIDATED CASH FLOW STATEMENT

In millions of euros	**1st half 2010**	**1st half 2009**
Net income	160	(148)
Depreciation, amortization and impairment of assets	144	164
Provisions, valuation allowances and deferred taxes	(32)	32
(Gains)/losses on sales of assets	(8)	(2)
Undistributed affiliate equity earnings	1	-
Change in working capital	(166)	220
Other changes	2	(3)
Cash flow from operating activities	**101**	**263**
Intangible assets and property, plant, and equipment additions	(123)	(156)
Change in fixed asset payables	(13)	(53)
Acquisitions of subsidiaries, net of cash acquired	(17)	(3)
Increase in long-term loans	(24)	(15)
Total expenditures	(177)	(227)
Proceeds from sale of intangible assets and property, plant, and equipment	12	5
Change in fixed asset receivables	-	14
Proceeds from sale of subsidiaries, net of cash sold	-	1
Proceeds from sale of unconsolidated investments	-	4
Repayment of long-term loans	35	47
Total divestitures	47	71
Cash flow from investing activities	**(130)**	**(156)**
Issuance (repayment) of shares	17	-
Purchase of treasury shares	(1)	(1)
Dividends paid to parent company shareholders	(37)	(36)
Dividends paid to minority shareholders	(1)	-
Increase / decrease in long-term debt	1	15
Increase / decrease in short-term borrowings and bank overdrafts	(6)	(95)
Cash flow from financing activities	**(27)**	**(117)**
Net increase/(decrease) in cash and cash equivalents	(56)	(10)
Effect of exchange rates and changes in scope	39	7
Cash and cash equivalents at beginning of period	89	67
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**72**	**64**

At 30 June 2010, income taxes paid amount to €31 million, including €4 million for the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE) (€21 million at 30 June 2009).

Interest received and paid included in cash flow from operating activities at 30 June 2010 amount, respectively, to €0.3 million and €3.9 million (€0.1 million and €5.9 million at 30 June 2009).

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shares issued					Treasury shares				
In millions of euros	**Number**	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**	**Shareholders' equity – Group share**	**Non-controlling interests**	**Shareholders' equity**
At 1 January 2009	**60,454,973**	**605**	**999**	**477**	**(84)**	**(39,707)**	**(1)**	**1,996**	**22**	**2,018**
Cash dividend	-	-	-	(36)	-	-	-	(36)	-	(36)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	(48,300)	(1)	(1)	-	(1)
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	(2)	-	87,600	2	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	2	-	-	-	2	-	2
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**(36)**	**-**	**39,300**	**1**	**(35)**	**-**	**(35)**
Net income	-	-	-	(149)	-	-	-	(149)	1	(148)
Income and expenses recognized directly through equity	-	-	-	(20)	17	-	-	(3)	(1)	(4)
Total recognized income and expense	**-**	**-**	**-**	**(169)**	**17**	**-**	**-**	**(152)**	**-**	**(152)**
At 30 June 2009	**60,454,973**	**605**	**999**	**272**	**(67)**	**(407)**	**-**	**1,809**	**22**	**1,831**
Cash dividend	-	-	-	-	-	-	-	-	(1)	(1)
Issuance of share capital	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Cancellation of purchased treasury shares	-	-	-	-	-	-	-	-	-	-
Grants of treasury shares to employees	-	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	2	-	-	-	2	-	2
Other	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	(1)	**1**
Net income	-	-	-	(23)	-	-	-	(23)	-	(23)
Income and expenses recognized directly through equity	-	-	-	14	(11)	-	-	3	1	4
Total recognized income and expense	**-**	**-**	**-**	**(9)**	**(11)**	**-**	**-**	**(20)**	**1**	**(19)**
At 31 December 2009	**60,454,973**	**605**	**999**	**265**	**(78)**	**(407)**	**-**	**1,791**	**22**	**1,813**

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

A. HIGHLIGHTS

1 Growth projects

On 25 January 2010, ARKEMA completed its acquisition of The Dow Chemical Company's acrylic acid and esters business located at Clear Lake, Texas and its UCAR Emulsion Systems specialty latex business in North America. This acquisition extends ARKEMA's product offering in Coatings and strengthens its position in acrylic monomers, where the Group is now the third-largest player worldwide and the second-largest in the US. The transaction took place for a fair value consideration of US $50 million (see note C7 Business Combinations).

In May 2010, ARKEMA announced the successful start-up of the world-scale production plant for Forane® 125 (HFC-125 fluorinated gas) built on the Changshu site, China, through the Arkema Daikin Advanced Fluorochemicals Co. Ltd joint venture. HFC-125 is an essential component in new-generation refrigerant blends. This project will help to develop the Group's position in China and Asia, with the objective of achieving 22% of worldwide sales in this region by 2014.

2 Other highlights

In April 2010 Arkema S.A. carried out a capital increase reserved to employees, in order to foster employee involvement in the Group's transformation. 824,424 shares were subscribed at the fixed price of €20.63 per share, resulting in a total of €17 million. At June 30, 2010, employees owned more than 5% of the share capital (see note C12 Shareholders' equity and note C18.3 Share-based payments/Capital increase reserved to employees).

Once the Exeltium consortium's financing was implemented, Arkema France, a member of Exeltium, subscribed to Exeltium's share capital increase in proportion to its interest. ARKEMA plans to draw some of its electricity requirements under the industrial partnership agreement between Exeltium and EDF for long-term electricity supply from the beginning of 2011.

B. ACCOUNTING POLICIES

ARKEMA is a global chemicals player, with three business segments: Vinyl Products, Industrial Chemicals and Performance Products.

Arkema S.A. is a French limited liability company (*société anonyme*) with a Board of Directors, subject to the provisions of book II of the French Commercial Code and all other legal provisions applicable to French commercial companies.

The company's head office is at 420 rue d'Estiennes d'Orves, 92700 Colombes (France). It was incorporated on 31 January 2003 and the shares of Arkema S.A. have been listed on the Paris stock market (Euronext) since 18 May 2006.

ARKEMA's condensed consolidated interim financial statements at 30 June 2010 were prepared under the responsibility of the Chairman and CEO of Arkema S.A. and were approved by the Board of Directors of Arkema S.A. on 2 August 2010.

The condensed consolidated interim financial statements at 30 June 2010 were prepared in accordance with the international accounting standards issued by the IASB (International Accounting Standards Board) as released at 30 June 2010, in compliance with IAS 34 "Interim financial reporting" and the international standards endorsed by the European Union at 30 June 2010. 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 2009. The accounting framework and standards adopted by the European Commission can be consulted on the following website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The accounting policies applied in preparing the consolidated financial statements at 30 June 2010 are identical to those used in the consolidated financial statements at 31 December 2009, 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 2010 (and which had not been applied early by the Group), namely:

Standards	Title
IAS 27 (Revised)	Consolidated and separate financial statements
Amendment to IAS 39	Eligible hedged items
IFRS 1 (Revised)	First-time adoption of IFRS
Amendments to IFRS 2	Group cash-settled share-based payment transactions
IFRS 3 (Revised)	Business combinations
	Annual Improvements to IFRS (published in May 2008) - amendments to IFRS 5 and IFRS 1
	Annual improvements to IFRS (published in April 2009)
IFRIC 12	Service concession arrangements
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distributions of non-cash assets to owners
IFRIC 18	Transfers of assets from customers

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

The impact of the other standards, amendments or interpretations published by the IASB and the IFRIC (International Financial Reporting Interpretations Committee) which were not yet in force at 1 January 2010 and have not been applied early by the Group, is currently being analyzed. The following texts are involved:

IAS 24 (Amended)	Related party disclosures	Adopted - Applicable for accounting periods commencing after 31 December 2010
Amendments to IAS 32	Classification of rights issues	Adopted - Applicable for accounting periods commencing after 31 January 2010
Amendments to IFRS 1	Additional exemptions for first-time adopters	Adopted - Applicable for accounting periods commencing after 30 June 2010
IFRS 9	Financial instruments	Suspended
Amendments to IFRIC 14	Prepayments of a minimum funding requirement	Adopted - Applicable for accounting periods commencing after 31 December 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	Adopted - Applicable for accounting periods commencing after 30 June 2010
	Annual improvements to IFRS (published in May 2010)	Not adopted by the EU at 30 June 2010

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

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

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

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

1 Consolidation principles

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

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

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

2 Foreign currency translation

2.1 Translation of financial statements of foreign companies

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

2.2 Transactions in foreign currencies

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

3 Goodwill and Business combinations

Operations after 1 January 2010

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

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

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

Non-controlling interests are measured at the acquisition date, either at fair value (the full goodwill method) or the NCI's proportionate share of net assets of the entity acquired (the partial goodwill method). The decision of which option to use

is made for each business combination. Subsequent acquisitions of non-controlling interests are always recorded in equity, regardless of the choice made at the time of the acquisition.

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

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

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

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

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

Operations prior to 31 December 2009

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

Goodwill was calculated as the difference between the purchase price, as increased by related costs, of shares of consolidated companies and the Group share of the fair value of their net assets and contingent liabilities at the acquisition date.

For any subsequent acquisition in the same entity, the difference between the acquisition cost and book value of non-controlling interests was included in goodwill.

Price adjustments were included in the cost of the business combination if the adjustment was probable and could be measured reliably;

Contingent liabilities arising from potential obligations were recognized.

4 Intangible assets

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

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

4.1 Goodwill

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

Goodwill is measured and recognised as described in note B3 Goodwill and business combinations.

4.2 Trademarks

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

4.3 Research and development expenses

Research costs are recognized in expenses in the period in which they are incurred. Grants received are recognized as a deduction from research costs.

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

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

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

4.4 Research tax credit

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

4.5 REACH

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

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

5 Property, plant & equipment

5.1 Gross value

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

Equipment subsidies are deducted directly from the cost of the assets which they financed. With effect from 1 January 2009 and in accordance with the revised version of IAS 23, borrowing costs that are directly attributable to financing

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

5.2 Depreciation

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

- Machinery and tools: 5 - 10 years
- Transportation equipment: 5 - 20 years
- Specialized complex installations: 10 - 20 years
- Buildings: 10 - 30 years

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

6 Impairment of long-lived assets

The recoverable amount of property, plant & equipment and intangible assets is tested as soon as any indication of impairment is identified. A review to identify if any such indication exists is performed at each year-end. An impairment test is performed at least once a year in respect of goodwill and trademarks.
An asset's recoverable amount corresponds to the greater of its value in use and its fair value net of costs of disposal.

Tests are performed for each autonomous group of assets, termed Cash Generating Units (CGUs). A CGU is a group of assets whose continued use generates cash flows that are substantially independent of cash flows generated by other groups of assets. They are worldwide business operations, which bring together groups of similar products in strategic, commercial and industrial terms. For ARKEMA, the CGUs are the business units presented in note B14. The value in use of a CGU is determined on the basis of the discounted future cash flows that are expected to be generated by the assets in question, based upon Group management's expectation of future economic and operating conditions over the next 5 years or, when the asset is to be sold, by comparison with its market value. In 2009, the terminal value was determined on the basis of a perpetuity annual growth rate of 1.5%. An after-tax rate of 7.5% was used to discount future cash flows and the terminal value in 2009. Any impairment is calculated as the difference between the recoverable amount and the carrying amount of the CGU. Because of its unusual nature, any such impairment is presented separately in the income statement

under the "Other income and expenses" caption. Impairment may be reversed, to the maximum carrying amount that would have been recognized for the asset had the asset not been impaired. Impairment losses on goodwill are irreversible (in application of IFRIC 10, impairment losses on goodwill recognized in previous interim accounting periods cannot be written back).

7 Financial assets and liabilities

Financial assets and liabilities are principally comprised of:

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

7.1 Other investments

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

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

7.2 Loans and financial receivables

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

7.3 Accounts receivable

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

7.4 Cash and cash equivalents

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

7.5 Non-current and current debt (including accounts payable)

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

7.6 Derivatives

The Group may use derivatives to manage its exposure to foreign currency risks and risks of changes in the prices of raw materials and energy. Derivatives used by the Group are recognized at their fair value in the balance sheet, in accordance with IAS 39. The fair value of these unlisted derivatives is determined by reference to current prices for contracts with similar maturity. They therefore correspond to the "Level 2" category defined in IFRS 7.
Changes in the fair value of these derivatives are recognized within operating income and, for foreign currency instruments, in financial result for the portion of foreign exchange gains and losses corresponding to the interest income/expense reflected by the differences between the spot exchange rate and the forward exchange rate, except for those on instruments which are considered to meet the criteria for cash flow hedge accounting or hedge accounting of a net investment in a foreign operation under IAS 39.
For items that qualify for cash flow hedge accounting, the effective portion of the change in fair value is recognized in shareholders' equity under the "Income and expenses recognized directly through equity" caption until such time as the underlying hedged item is recognized through the income statement. Any ineffective portion is recognized in operating income.
A hedge of a net investment in a foreign operation hedges the exposure to foreign exchange risk of the net assets of the foreign operation (IAS 21, "The effects of changes in foreign exchange rates"). The effects of this hedge are recorded directly in shareholders' equity under the "Income and expenses recognized directly through equity" caption.

8 Inventories

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

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

9 Provisions and other non-current liabilities

A provision is recognized when:

- the Group has a legal, regulatory or contractual obligation to a third party resulting from past events. An obligation can also result from Group practices or public commitments that create a reasonable expectation among the third parties in question that the Group will assume certain responsibilities;
- it is certain or probable that the obligation will lead to an outflow of resources to the benefit of the third party; and
- its amount can be estimated reliably and corresponds to the best possible estimate of the commitment. In exceptional cases where the amount of the obligation cannot be measured with sufficient reliability, disclosure is made in the notes to the financial statements in respect of the obligation (See note C14 Contingent liabilities).

When it is expected that the Group will obtain partial or total reimbursement of the cost that was provided against, the expected reimbursement is recognized in receivables if, and only if, the Group is virtually certain of the receipt.
Long-term provisions, other than provisions for pension and similar post-employment benefit obligations, are not inflation-indexed or discounted as the Group considers that the impact of such adjustments would not be significant.

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

10 Pension and similar post-employment benefit obligations

In accordance with IAS 19 “Employee benefits”:

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

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

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

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

The Group has opted to recognize actuarial gains and losses directly in shareholders' equity under the "Income and expenses recognized directly through equity" caption, in accordance with the amendment to IAS 19 of December 2004.
On modification or creation of a plan, the portion of obligations which vest immediately as a result of past service is charged immediately to income; the portion of obligations which do not vest immediately is amortized over the remaining vesting period.
The amount of the provision takes account of the value of assets which are allocated to cover pension and other post-employment benefit obligations. The value of these assets is deducted from the provision for such benefit obligations.

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

Other long-term benefits
In respect of other long-term benefits, and in accordance with applicable laws and regulations, provisions are recognized using a simplified method. Thus, if an actuarial valuation using the projected unit cost method is required, actuarial gains and losses and all past service costs are recognized immediately in the provision, with a double entry being recognized to the income statement.
The net expense related to pension benefit obligations and other employee benefit obligations is recognized in recurring operating income, with the exception of:

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

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

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

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

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

At this point, greenhouse gas emissions allowances (EUA) allocated are adequate to cover the operational needs of ARKEMA's European units and a deficit is not currently forecast. ARKEMA does not carry out a trading activity in respect of CO_2 emissions allowances. However, in the normal course of its operations, ARKEMA may carry out cash or

forward sales of its surpluses. These sales do not enter into the scope of application of IAS 39 because of the "own use" exception.

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

12 Recognition of sales

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

13 Income taxes

13.1 Current taxes

Current taxes are the amount of income taxes that the Group expects to pay in respect of taxable profits of consolidated companies in the period. They also include adjustments to current taxes in respect of prior periods.

The French tax consolidation regime enables certain French companies in the Group to offset their taxable results in determining the tax charge for the entire French tax group. The overall tax charge is payable by Arkema S.A., as the parent company of the tax group. Tax consolidation regimes also exist in countries outside France.

The French Finance Act for 2010 introduced the local tax named CET (*Contribution Economique Territoriale*). One of its components is the contribution based on companies' value added (*Cotisation sur la Valeur Ajoutée des Entreprises* – CVAE). After analysing the methods for determining this contribution at the end of 2009 in the light of the positions of the IFRIC and France's national accounting standards body ANC (*Autorité des Normes Comptables*), the Group considers that in this specific case, it meets the requirements to be treated as a current tax under IAS 12. The CVAE is therefore classified as "income taxes" from 1 January 2010.

13.2 Deferred taxes

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

Deferred tax assets and liabilities are valued at the tax rates that are expected to apply in the year in which the asset will be realized or the liability settled, on the basis of tax rates (and tax legislation) that have been enacted or virtually enacted at the balance sheet date. The effect of any changes in tax rates is recognized in income for the period, unless it relates to items that were previously debited or credited through equity. Deferred tax assets and liabilities are not discounted.

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

A deferred tax liability is recognized for all taxable temporary differences related to investments in subsidiaries, associates and joint ventures, unless:

- the Group controls the timing of the reversal of the temporary difference, and
- it is probable that this difference will not reverse in the foreseeable future.

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

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

14 Information by segment

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

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

- Vinyl Products includes the following business units: Chlorine/Caustic Soda, PVC, Vinyl Compounds and downstream converting (Pipes and Profiles). They are used in areas such as water treatment, healthcare, hygiene, electronics, sports and leisure and automobile equipment.

- Industrial Chemicals brings together the following business units: Acrylics, Specialty Acrylic Polymers, PMMA, Thiochemicals, Fluorochemicals, Hydrogen Peroxide and Emulsions. These intermediates are used as raw materials in numerous industrial sectors such as refrigeration, insulation, production of paper pulp, textiles, pharmaceuticals, animal feed, ink and paint, electronics and the automobile sector.

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

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

15 Cash flow statements

Cash flows in foreign currencies are translated into euros using the average exchange rates of each period. Cash flow statements exclude foreign exchange differences arising from the translation into euros of assets and liabilities recognized in balance sheets denominated in foreign currencies at the end of the period (except for cash and cash equivalents). In consequence, cash flows cannot be recalculated on the basis of the amounts shown in the balance sheet.
Changes in short-term borrowings and bank overdrafts are included in cash flows from financing activities.

16 Share-based payments

In application of IFRS2 “Share-based payments”, the stock options and free shares granted to management and certain Group employees are measured at their fair value at the date of grant, which generally corresponds to the date of the Board of Directors’ meeting that granted the stock options and free shares.
The fair value of the options is calculated using the Black & Scholes model. It is recognized in personnel expenses on a straight-line basis over the period from the date of grant to the date from which the options can be exercised.
The fair value of rights under free share grants corresponds to the opening market price of the shares on the day of the Board of Directors’ meeting that decides on the grant, adjusted for dividends not received during the vesting period. It is recognized in personnel expenses on a straight-line basis over the vesting period of the rights.

17 Earnings per share

Earnings per share correspond to the division of net income (Group share) by the weighted average number of ordinary shares in circulation since the start of the year.
Diluted earnings per share correspond to the division of net income (Group share) by the weighted number of ordinary shares, both of these figures being adjusted to take account of the effects of all dilutive potential ordinary shares.
The effect of dilution is thus calculated taking account of stock options and grants of free shares to be issued.

18 Discontinued operations and non-current assets held for sale

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

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

The Group presents, for the financial year in question, assets and liabilities of continuing operations in the standard manner, to which assets and liabilities of discontinued operations and non-current assets held for sale are added. These

assets and liabilities are not offset but are rather presented respectively in two specific balance sheet captions. The balance sheet of the previous financial year is not modified.

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

For the two financial years considered, the Group presents the cash flow statement without distinguishing between continuing operations and discontinued operations. Disclosures regarding the cash flows of discontinued operations are nevertheless provided in a specific note to the financial statements.

19 Main accounting and financial indicators

The main performance indicators used are as follows:

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

- **Capital employed:** this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments and loans, other investments, other non-current assets (excluding deferred tax assets) and working capital;
- **Net debt:** this is the difference between current and non-current debt and cash and cash equivalents.

C. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Effects of seasonality

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

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

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

2 Information by business segment

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

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

1st half 2009 *(In millions of euros)*	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	**Group Total**
Non-Group sales	523	1,052	678	6	**2,259**
Inter segment sales	22	46	7	-	
Total sales	**545**	**1,098**	**685**	**6**	
Recurring operating income	**(29)**	**83**	**(7)**	**(57)***	**(10)**
Other income and expenses	(4)	(83)	(6)	(5)	**(98)**
Operating income	**(33)**	**-**	**(13)**	**(62)**	**(108)**
Equity in income of affiliates	5	-	-	-	**5**
Details of certain significant non-cash expenses by segment:					
Depreciation and amortization	(24)	(65)	(47)	(1)	**(137)**
Asset impairment charges	-	(27)	(1)	-	**(28)**
Provisions	12	(46)	-	16	**(18)**
EBITDA	**(5)**	**148**	**40**	**(56)**	**127**
Intangible assets and property, plant, and equipment additions	22	55	78	1	**156**
Of which additions of an exceptional nature	1	3	27	-	31

* Of which inventories impacts not related to business segments of -€40 million over the period, linked to a decrease in raw material prices (-€25 million) and the lower quantities in stock (-€15 million).

3 Information by geographical area

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

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

1st half 2009 *(In millions of euros)*	France	Rest of Europe	NAFTA (1)	Asia	Rest of the world	TOTAL
Non-Group sales	393	818	527	417	104	2,259

(1) NAFTA: United States, Canada, Mexico

4 Other income and expenses

(In millions of euros)	1st half 2010			1st half 2009		
	Expenses	Income	Net	Expenses	Income	Net
Restructuring and environmental charges	-	1	1	(101)	2	(99)
Goodwill impairment charges	-	-	-	-	-	-
Asset impairment charges (other than goodwill)	-	-	-	-	-	-
Litigation and claims	(4)	-	(4)	-	2	2
Gains (losses) on sales and purchases of assets	(12)	11	(1)	(1)	-	(1)
Other	-	-	-	-	-	-
Total other income and expenses	**(16)**	**12**	**(4)**	**(102)**	**4**	**(98)**

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

In the first half of 2009, restructuring charges (including related asset impairment) and environmental charges mainly concern restructuring expenses (net of reversals) for the Vinyl Products segment (€4 million), Industrial Chemicals segment (€85 million), Performance Products segment (€6 million) and Corporate segment (€4 million).

Income relating to litigation and claims mainly comprises an additional indemnity receivable for damage caused by Hurricane Ike in 2008 in Texas (USA).

5 Adjusted net income

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

(In millions of euros)	Notes	1st half 2010	1st half 2009
Net income - Group share		**159**	**(149)**
Other income and expenses	(C4)	4	98
Taxes on other income and expenses		(5)	(4)
Exceptional taxation		-	-
Discontinued operations		-	-
Adjusted net income		**158**	**(55)**

6 Income taxes

The income tax expense is broken down as follows:

(In millions of euros)	1st half 2010	1st half 2009
Current income taxes	(75)	(31)
Deferred income taxes	8	1
Total income taxes	**(67)**	**(30)**

The income tax expense amounts to €67 million at 30 June 2010, including €5 million for the CVAE (compared with €30 million at 30 June 2009).

7 Business combinations

On 25 January 2010, Arkema acquired The Dow Chemical Company's acrylic acid and esters business located at Clear Lake, Texas and its UCAR Emulsion Systems specialty latex business in North America. This acquisition was fully settled in cash (see note A Highlights).

In compliance with IFRS 3 (revised), the Group has used the purchase method for the accounting treatment of the operation.

The fair values of identifiable assets acquired and liabilities transferred at the acquisition date are as follows:

(In millions of euros)	Fair value acquired
Deferred tax assets	2
Inventories	37
Other receivables	3
Total Assets	**42**
Deferred tax liabilities	9
Provisions and other non-current liabilities	1
Other liabilities	6
Total Liabilities	**16**
Fair value of net assets	26

This operation led to recognition of negative goodwill on acquisition of €11 million (see note C4 Other income and expenses).

Sales for the first half of 2010 since the acquisition date amount to €203 million.

Expenses incurred in connection with this acquisition, which were included in other receivables at 31 December 2009, are treated as expenses in 2010.

8 Earnings per share

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

	1st half 2010	1st half 2009
Weighted average number of ordinary shares	60,789,944	60,418,018
Dilutive effect of stock options	4,745	-
Dilutive effect of free share grants	8,539	36,955
Weighted average number of potential ordinary shares	60,803,228	60,454,973

Earnings per share is determined below:

	1st half 2010	1st half 2009
Earnings per share (€)	2.62	(2.47)
Diluted earnings per share (€)	2.61	(2.46)
Adjusted net income per share (€)	2.60	(0.91)
Diluted adjusted net income per share (€)	2.60	(0.91)

9 Intangible assets

In the first half of 2010, acquisitions of intangible assets amounted to €11 million (€38 million in the first half of 2009).

10 Property, plant & equipment

In the first half of 2010, capital expenditure on property, plant and equipment amounted to €111 million (€121 million in the first half of 2009). The Group also sold or scrapped property, plant and equipment with total gross value of €54 million (€26 million in the first half of 2009).

11 Inventories

The gross amount of the Group’s inventories fell from €820 million at 31 December 31 2009 to €928 million at 30 June 2010.

In the first half of 2010, the Group recognized a net decrease of €5 million in impairment of inventories. This compared to a net decrease of €15 million in provisions for impairment of inventories in the first half of 2009.

12 Shareholders' equity

At 31 December 2009, Arkema S.A.'s share capital amounted to €604.5 million and was composed of 60,454,973 shares with a nominal value of 10 euros.

On 15 April 2010, the Group carried out a capital increase reserved to Group employees: 824,424 shares were subscribed at a price of €20.63 per share, with the price having been set by the Board of Directors in its meeting of 3 March 2010. Following this operation, Arkema S.A.'s share capital was increased to €612.8 million divided into 61,279,397 shares.
During the first half of 2010, the company bought back 42,000 treasury shares (accounted for as a deduction from shareholders' equity), and allocated 42,127 treasury shares to employees.
The shareholders' general meeting of 1 June 2010 adopted a resolution proposing to distribute a dividend of €0.60 per share, or a total amount of €37 million, in respect of the 2009 financial year.

13 Provisions and other non-current liabilities

13.1 Other non-current liabilities

Other non-current liabilities amount to €38 million at 30 June 2010 as against €35 million at 31 December 2009.

13.2 Provisions

(In millions of euros)	Pension and other employee benefit obligations	Environmental contingencies	Restructuring	Other	TOTAL
At 31 December 2009	**337**	**197**	**111**	**111**	**756**
Increases in provisions	17	1	2	11	31
Reversals from provisions on use	(10)	(8)	(34)	(7)	(59)
Reversals of unused provisions	-	-	-	(2)	(2)
Changes in scope	1	-	-	-	1
Translation adjustments	14	12	1	7	34
Other *	30	-	4	(4)	30
Discontinued operations	-	-	-	-	-
At 30 June 2010	**389**	**202**	**84**	**116**	**791**

* "Other" includes actuarial gains and losses for the period

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

(In millions of euros)	Pension and other employee benefit obligations	Environmental contingencies	Restructuring	Other	TOTAL
Total provisions at 30 June 2010	**389**	**202**	**84**	**116**	**791**
Portion of provisions covered by receivables or deposits	**-**	**40**	**-**	**6**	**46**
Deferred tax asset related to amounts covered	-	24	-	4	28
Pension assets	**3**	**-**	**-**	**-**	**3**
Provisions at 30 June 2010 net of non-current assets	**386**	**138**	**84**	**106**	**714**

13.3 Provisions for pensions and similar benefits

At 30 June 2010, provisions for pensions and similar benefits are comprised of pension benefit obligations for €278 million (€237 million at 31 December 2009), healthcare plans for €58 million (€53 million at 31 December 2009), long-service awards for €44 million (€43 million at 31 December 2009) and Group pre-retirement plans for €9 million (€4 million at 31 December 2009).

Furthermore, pension assets amount to €3 million at 30 June 2010 (€3 million at 31 December 2009).

ARKEMA applied the following discount rates at 30 June 2010:

Pension benefit and healthcare plan commitments:	Europe	USA
At 30 June 2010	4.40% - 5.40%	5.60%
At 31 December 2009	5.00% - 5.40%	5.60%

Long-service awards	Europe
At 30 June 2010	4.00%
At 31 December 2009	4.30% - 5.50%

The present value of defined benefit obligations at the end of 2009 was adjusted, on the basis of sensitivity analysis tables prepared by the Group's external actuaries in the context of the full year 2009 closing, to take account of the change in interest rates over the half-year. The fair value of plan assets and obligations under managers' pension plans was reassessed on the basis of new valuations at 30 June 2010.

The changes in discount rates and the remeasurement of plan assets have the following effects at 30 June 2010:

(In millions of euros)	Changes in discount rates	Remeasurement of plan assets
Actuarial gains and losses recognized in shareholders' equity		
Actuarial gain (loss) related to pensions and healthcare plans	(17)	(2)
Benefit obligations recognized in balance sheet liabilities		
Pension and other long-term benefits	22	5
Income or expenses recognized in the income statement		
Other employee benefits	(1)	-

13.4 Provisions for environmental contingencies

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

- in France for €98 million.
- in the United States for €84 million, of which €64 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 €40 million and €24 million of deferred taxes) (see note C19.2 Off balance sheet commitments/Commitments received).

13.5 Restructuring provisions

Restructuring provisions are mainly in respect of restructuring measures in France for €78 million.

14 Contingent liabilities

14.1 Environment

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

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

Clean-up of sites

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

Sites currently in operation:

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

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

As regards the site of Saint-Auban, different legal proceedings brought against Arkema France are under investigation in Nanterre. An order to send the case before Nanterre correctional court was issued on 15 April 2010. Also, the Spinetta site (Italy - Arkema srl) is the subject of an administrative procedure due to the presence of pollutants in the ground and below the ground.

Closed industrial sites (Former industrial sites):

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

14.2 Litigation, claims and proceedings in progress

14.2.1 Antitrust litigation

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

To cover the risks associated with the proceedings in the United States and Europe, which arose prior to completion of the Spin-Off of Arkema's Businesses, Total S.A. and one of its subsidiaries have granted indemnities for the benefit of Arkema S.A. and Arkema Amériques SAS, the main terms of which are described in note C27 Off-balance sheet commitments to the consolidated financial statements at 31 December 2009, which can be found in Chapter 20.3 of ARKEMA's 2009 reference document.

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

Proceedings carried out by the European Commission

Arkema France currently remains a party to several proceedings being carried out by the European Commission alleging violations of the rules of EU competition law restricting anticompetitive agreements.
Appeal proceedings by Arkema France before the European Union's General Court following the European Commission's decisions in the monochloroacetic (MCAA) acid case, the hydrogen peroxide case, and the methacrylates, sodium chlorate and heat stabilizers cases are still pending. The appeal proceedings concerning the MCAA case are still ongoing before the European Court of Justice following the General Court's judgement issued in 2009.

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

There has been no significant development in the first half of 2010 regarding the claim for compensation lodged with the Dortmund (Germany) Tribunal by Cartel Damage Claim (CDC) Hydrogen Peroxyde SA.
Given the elements at its disposal, the Group is not currently able to estimate the total amount of the claims liable to be definitively held against it by the competent jurisdiction after exercise of any recourse available, and so has not recognized any provisions in this respect.

Proceedings in the United States and Canada

a) US civil actions

In 2008 and early 2009, the appeals court ruled that the trial courts erred when they granted class certification of direct purchaser classes in the hydrogen peroxide matter and in the plastics additives matter; the appeals court has remanded each of those cases back to the trial courts for further proceedings consistent with proper class certification standards. Following those appellate decisions, the trial court finally approved the settlement agreements that Arkema Inc. and Arkema France separately executed with the direct purchaser class in Hydrogen Peroxide and with the direct purchaser class of MMA/PMMA products. The issue of class certification in the plastics additives direct purchaser action remains pending before the trial court.

During the first half of 2010, Arkema Inc. reached a signed settlement agreement with the indirect purchasers of hydrogen peroxide from five American states which had initiated action alleging violation of state competition laws. Under this agreement, which has not yet received court approval, Arkema Inc. will make no payments and will provide limited cooperation if the case proceeds to trial against other defendants.

b) Canadian civil actions

In Canada, a number of civil actions alleging violations of Canadian competition laws concerning hydrogen peroxide products were filed in Quebec, Ontario and British Columbia in 2005 and 2006. The trial court in Ontario has certified a

class of direct and indirect purchasers. Arkema France, Arkema Inc. and Arkema Canada's request for leave to appeal that decision was denied in June 2010.

14.2.2 Occupational illness

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

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

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

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

14.2.3 Other litigation and claims and contingent liabilities

- Arkema France

In 1995, the company Gasco brought a claim for damages against Elf Atochem (the former name of Arkema France) before the court in Ghent (Belgium) in respect of an alleged breach of contract and breach of an exclusivity agreement. At first instance, Gasco obtained a judgment against Atofina for payment of €248,000 by way of damages for breach of contract (payment of that sum has been made) but its claim for breach of the exclusivity agreement was dismissed. Appeal proceedings have been pending before the Ghent Court of Appeal since 1999, and no developments have arisen since then. Having regard to the weak basis of the allegations made against it and the defenses available to the Group, the Group's view as the matter currently stands, is that the amount of the provision made for this matter in the accounts is sufficient. No significant development arose on this case in the first half of 2010.

Arkema France supplies various products for the coating of items used in a number of European countries in the manufacture of sanitary treatment facilities. These products are subject to inspection on the part of approved laboratories which must certify their conformity with the applicable sanitary regulations. Arkema France has an interpretation of the regulations applicable in France that diverges from that of a French laboratory and the public authorities as regards regulatory clearance in France of a product, even though this product is approved in other European Union countries. The Group takes the view that this problem is essentially administrative in nature. However, the possibility that users might

seek to attach liability to Arkema France as the supplier cannot be excluded. In the event that such claims were successful, the costs of replacement of the products and the damages that could be claimed could prove to be extremely high.

There were no developments during the first half of 2010 in Total's case at the court of first instance against the French Customs authorities, seeking cancellation of the demand for tax on polluting activities on its effluent discharge, which was largely produced for Arkema France.

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

24 former employees of Arkema France who left the company under the early retirement system for asbestos workers brought proceedings before the employee claims court, claiming compensation for losses of income caused by their departure under this system and for the prejudice of anxiety relating to their exposure to asbestos and the possible discovery of an asbestos-related illness.
These proceedings follow rulings by the Paris and Bordeaux appeal courts recognising the existence of an economic prejudice due to the fall in income for employees who left under the asbestos-related early retirement system, and a prejudice of anxiety related to exposure to asbestos.
In a ruling of 11 May 2010, the labour chamber of the Court of Cassation refused to grant compensation for the economic prejudice resulting from resignation by an employee who had opted for the early retirement system. However, the court accepted the existence of a prejudice of anxiety for employees who had worked in an establishment classified as containing asbestos, on the grounds that through the fault of the employer these employees found themselves in a situation of permanent anxiety over the risk of developing an asbestos-related pathology.
For Arkema France, of the 24 cases currently in process, before publication of the decision by the labour chamber of the Court of Cassation, two former employees had so far received a favourable ruling by the Forbach employee claims court on the question of compensation for the economic prejudice. Their claim concerning the prejudice of anxiety, however, was rejected. Arkema France has appealed these decisions, and the rest are expected in the next few months.

The first half of 2010 saw no significant developments in Arkema France's appeal against the 2007 decision concerning the Saint Fons site, ordering Arkema France to carry out a quality monitoring on underground water and propose a pollution management plan.

- Arkema Srl

There were no significant developments in the first half of 2010 in the criminal investigation in process at the Spinetta site (Italy) concerning a certain number of managers and directors of Arkema Srl.Given the circumstances, Arkema Srl considers it is still too early for accurate determination of the nature and scope of the potential liability of the managers or directors cited in this criminal investigation.

- CECA

The litigation between Intradis and CECA over recognition of CECA's liability for pollution of land acquired by Intradis saw no particular developments during the first half of 2010.

- Arkema Inc.

In the United States, the Group is currently involved in a substantial number of proceedings in various courts. No notable developments arose in the first half of 2010 in the proceedings concerning claims by third parties relating to (i) alleged exposure to asbestos on the Group's sites, or (ii) exposure to products containing asbestos and sold by former subsidiaries of the Group in the United States and elsewhere. When they are not covered by insurance policies, provisions have been made for these proceedings in an amount which the Group considers sufficient.

However, due to the continuing uncertainties as to the outcome of these proceedings, the Group is not, as at the date of these financial statements, in a position, having regard to the information available to it, to estimate the total amount of the claims that might finally be upheld against it by the various competent courts after the exhaustion of any avenues of appeal.

- Arkema Quimica Limitada

During the first half of 2010 Arkema Quimica Limitada gave the tax authorities confirmation of its application to benefit from the tax amnesty law that would allow it to pay only part of its overall tax liability. If the tax authorities give final consent to the terms for payment of the liability subject to amnesty, only an amount of 9.2 million reais or around €4.2 million at 30 June 2010 would be concerned by an appeal before the courts, which Arkema considers would have reasonable chances of success.

15 Debt

Group net debt amounted to €367 million at 30 June 2010, taking account of cash and cash equivalents of €72 million; it is mainly denominated in euros and bears interest at variable rates.

The Group has a multi-currency syndicated credit facility in a maximum amount of €1.1 billion, maturing on 31 March 2013.

At 30 June 2010, the average interest rate of the syndicated credit facility is approximately 0.7% and the unused amount under this credit facility is €970 million.

The Group also has a securitisation programme for sales receivables which remain in the consolidated accounts, representing a maximum financing of €240 million. At 30 June 2010 the amount used under this programme is €166 million.

15.1 Analysis of net debt by category

(In millions of euros)	30 June 2010	31 December 2009
Finance lease obligations	14	14
Bank loans	53	43
Other non-current debt	29	28
Non-current debt	**95**	**84**
Finance lease obligations	-	2
Syndicated credit facility *	130	315
Other bank loans	204	21
Other current debt	10	7
Current debt	**344**	**345**
Debt	**439**	**430**
Cash and cash equivalents	72	89
Net debt	**367**	**341**

* See note 15.2

15.2 Analysis of debt by maturity

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

(In millions of euros)	30 June 2010	31 December 2009
Less than 1 year *	346	349
Between 1 and 2 years	10	9
Between 2 and 3 years	31	29
Between 3 and 4 years	6	6
Between 4 and 5 years	7	6
More than 5 years	61	48
Total	**460**	**447**

* Amounts maturing in less than 1 year include the current drawings under the syndicated credit facility. Even though it matures in March 2013, this syndicated credit facility is classified in current debt as it is used in the form of revolving short-term drawings.

15.3 Analysis of debt by currency

ARKEMA's debt is mainly denominated in euros.

(In millions of euros)	30 June 2010	31 December 2009
Euros	342	354
US Dollars	19	17
Chinese Yuan	71	53
Korean Won	2	3
Other	4	3
Total	**439**	**430**

16 Management of risks related to financial assets and liabilities

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

16.1 Foreign currency risk

The Group is exposed to transaction risks related to foreign currencies.
The Group hedges its foreign currency risk mainly through spot foreign currency transactions or through forward transactions over short maturities, generally not exceeding 6 months.
The fair value of the Group's forward foreign currency contracts is a liability of €2.5 million.
The amount of foreign exchange gains and losses recognized in recurring operating income at 30 June 2010 is a loss of €3.2 million (gain of €1.2 million at 30 June 2009).
The portion of foreign exchange gains and losses corresponding to interest income/expense reflected by the difference between the spot exchange rate and the forward exchange rate is recorded in financial result. It is non-significant at 30 June 2010 (-€0.7 million at 30 June 2010).

16.2 Interest rate risk

The Group obtains most of its financing through the variable rate syndicated credit facility of €1,100 million available to it. The general financing policy defined by the Group is to favor variable rate debt over fixed rate debt. Exposure to interest rate risk is managed by the Group's central treasury department and simple derivatives are used as hedging instruments. The Group has not entered into any interest rate hedges at 30 June 2010.

16.3 Liquidity risk

The Group's central treasury department manages the liquidity risk related to the Group's debt.
In almost all cases, Group companies obtain their financing from, and manage their cash with, Arkema France or other Group entities that manage cash pooling mechanisms.

The main circumstances in which early repayment or termination could occur concern:

- the syndicated credit facility (see note C15 Debt), if the ratio of consolidated net debt to consolidated EBITDA were to become greater than 3. At 30 June 2010, consolidated net debt represents 0.7 times consolidated EBITDA for the previous 12 months.
- the securitisation programme for sales receivables, in the event of non-compliance with the standard portfolio financial performance ratios (dilution ratio, overdue ratio and default ratio) or accelerated repayment of the syndicated credit facility following a default on payment.

Note C15 Debt provides details of the maturities of debt.

16.4 Credit risk

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

Credit risk on accounts receivable is limited because of the large number of its clients and their geographical dispersion. The Group's general policy for managing credit risk involves assessing the solvency of each new customer before entering into business relations: each customer is allocated a credit limit, which constitutes the maximum level of outstandings (receivables plus orders) accepted by the Group, on the basis of the financial information obtained on the customer and the analysis of solvency carried out by the Group. These credit limits are revised regularly and, in any case, every time that a material change occurs in the customer's financial position. Customers who cannot obtain a credit limit because their financial position is not compatible with the Group's requirements in terms of solvency only receive deliveries when they have paid for their order.

Even though the Group has incurred very few bad debts for the last number of years, it has decided to cover all of its accounts receivable credit risk by putting in place a global credit insurance program. On account of the statistically low bad debt rate experienced by the Group, the rate of cover is significant. Customers with whom the Group wishes to continue commercial relations but which are not covered by this insurance are subject to specific centralized monitoring.

In addition, the Group's policy for recognizing bad debt provisions in respect of receivables not covered by credit insurance, or the portion of receivables that are not so covered, has two components: receivables are individually provided against as soon as a specific risk of loss (economic and financial difficulties of the customer in question, entry into receivership, etc.) is clearly identified. The Group may also recognize general provisions for receivables that are overdue for such a period that the Group considers that a statistical risk of loss exists. These periods are adapted depending on the BUs and the geographical regions in question.

Banking credit risk is related to financial investments, derivatives and credit facilities granted by banks. The Group limits its exposure to credit risk by only investing in liquid securities with first-class commercial banks.

16.5 Risk related to raw materials and energy

The prices of certain raw materials used by ARKEMA are highly volatile and their fluctuations lead to significant variations in cost of production of the Group's products; in addition, because of the importance of the Group's requirements in terms of energy resources resulting notably from the electrically intensive nature of certain of its

manufacturing processes, ARKEMA is also very sensitive to changes in the price of energy. In order to limit the impact of price volatility of the principal raw materials it uses, ARKEMA can decide to use derivatives matched with existing contracts or can negotiate fixed price contracts for limited periods.
Recognition of these derivatives has no effect on the income statement at 30 June 2010 (€1.4 million at 30 June 2009).

17 Related parties

17.1 Transactions with non-consolidated or equity accounted companies

Transactions between consolidated companies have been eliminated in the consolidation process. In addition, in the normal course of business, the Group has business relationships with certain non-consolidated companies or with companies which are consolidated under the equity method. These transactions mainly concern purchases of raw materials and interest charges on current accounts. The amounts of transactions with equity affiliates are presented in the table below. The corresponding transactions were carried out at market prices. The amounts of transactions with unconsolidated companies are not material.

(In millions of euros)	Equity accounted affiliates	
Transactions	1st half 2010	1st half 2009
Sales of goods	-	-
Other income	9	8
Purchases of goods and services	(11)	(14)
Other expenses (including financial expenses)	-	-
Balance sheet amounts resulting from transactions	30 June 2010	31 December 2009
Assets		
Accounts receivable	-	1
Financial receivables and other receivables	3	4
Liabilities		
Accounts payable	1	1
Debt and other creditors	-	-

18 Share-based payments

18.1 Stock options

On 10 May 2010, the Board of Directors decided to put in place two stock option plans for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.

In Plan 1, stock options will be awarded subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms both ARKEMA's EBITDA for 2010, and the trend in this EBITDA compared to a panel of other manufacturers of chemicals. In Plan 2, stock options will be awarded subject to a vesting period of five years, with effect from the Board of Directors' grant, and subject to compliance with a performance objective relating to ARKEMA's EBITDA margin for 2014.

The main characteristics of the outstanding stock option plans at 30 June 2010 are as follows:

	2006 Plan	**2007 Plan**	**2008 Plan**	**2010 Plan 1**	**2010 Plan 2**	
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	
Date of Board of Directors' meeting	4 July 06	14 May 07	13 May 08	10 May 10	10 May 10	
Vesting period	2 years	2 years	2 years	2 years	5 years	
Conservation period	4 years	4 years	4 years	4 years	5 years	
Period of validity	8 years	8 years	8 years	8 years	8 years	
Exercise price	28.36	44.63	36.21	30.47	30.47	
						Total
Number of options granted	**540,000**	**600,000**	**460,000**	**225,000**	**225,000**	**2,050,000**
to corporate officers: Thierry Le Hénaff	55,000	70,000	52,500	35,000	35,000	247,500
- to the 10 largest beneficiaries*	181,000	217,000	169,350	104,000	104,000	775,350
Total number of options exercised	**1,150**	-	-	-	-	**1,150**
- by corporate officers	-	-	-	-	-	-
- by the 10 largest beneficiaries*	1,150	-	-	-	-	1,150
Number of options						
In circulation at 1 January 2008	536,000	600,000	-	-	-	1,136,000
Granted	-	-	460,000	-	-	460,000
Cancelled	-	7,800	-	-	-	7,800
Exercised	1,150	-	-	-	-	1,150
In circulation at 31 December 2008	**534,850**	**592,200**	**460,000**	**-**	**-**	**1,587,050**
In circulation at 1 January 2009	534,850	592,200	460,000	-	-	1,587,050
Granted	-	-	-	-	-	-
Cancelled	-	1,000	5,586	-	-	6,586
Exercised	-	-	-	-	-	-
In circulation at 31 December 2009	**534,850**	**591,200**	**454,414**	**-**	**-**	**1,580,464**
In circulation at 1 January 2010	534,850	591,200	454,414	-	-	1,580,464
Granted	-	-	-	225,000	225,000	450,000
Cancelled	12,000	12,000	11,992	-	-	35,992
Exercised	-	-	-	-	-	-
In circulation at 30 June 2010	**522,850**	**579,200**	**442,422**	**225,000**	**225,000**	**1,994,472**

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

Valuation method

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

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

The volatility assumption was determined on the basis of observation of historical movements in the ARKEMA share since its admission to listing, restated for certain non-representative days in order to better represent the long-term trend.
The maturity adopted for the options corresponds to the period of unavailability for tax purposes.
The amount of the IFRS 2 expense recognized in respect of stock options at 30 June 2010 was €0.8 million (€1.9 million at 30 June 2009). The decrease in this expense mostly reflects the fact that no stock options were granted in 2009.

18.2 Free share grants

On 10 May 2010, the Board of Directors decided to put in place two performance share award schemes for the benefit of employees, particularly employees with responsibilities whose exercise influences the Group's results.
In Plan 1, intended for employees of the Group's French companies, the definitive grant of such performance shares will be subject to a vesting period of two years, with effect from the Board of Directors' grant, and subject to compliance with performance criteria expressed in terms of both ARKEMA's EBITDA for 2010, and the trend in this EBITDA compared to a panel of other manufacturers of chemicals. In Plan 2, intended for other Group employees, the definitive grant of such performance shares will be subject to a vesting period of four years, with effect from the Board of Directors' grant, and subject to compliance with the same performance criteria.

The main characteristics of the free share grant plans in force at 30 June 2010 are as follows:

	2007 Plan	2008 Plan 1	2008 Plan 2	2009 Plan	2010 Plan 1	2010 Plan 2	Total
Date of Annual General Meeting	10 May 06	10 May 06	10 May 06	10 May 06	15 June 09	15 June 09	
Date of Board of Directors' meeting	14 May 07	13 May 08	13 May 08	12 May 09	10 May 10	10 May 10	
Vesting period	2 years	2 years	2 years	2 years	2 years	4 years	
Conservation period	2 years	2 years	2 years	2 years	2 years	-	
Performance condition	Yes	Yes	No	Yes	Yes (3)	Yes (3)	
Number of free shares granted	**125,000**	**135,556**	**44,444**	**184,850**	**153,235**	**49,765**	
to corporate officers: Thierry Le Hénaff	7,000	14,000	-	14,000	18,800	-	
to the 10 largest beneficiaries (1)	21,700	44,170	1,830	41,500	54,700	8,100	
Number of free shares							
In circulation at 1 January 2008	125,000	-	-	-	-	-	268,315
Granted	-	135,556	44,444	-	-	-	180,000
Cancelled	995	-	-	-	-	-	3,205
Definitively granted	-	-	-	-	-	-	141,105
In circulation at 31 December 2008	**124,005**	**135,556**	**44,444**	**0**	**0**	**0**	**304,005**
In circulation at 1 January 2009	124,005	135,556	44,444	0	0	0	304,005
Granted	-	-	-	184,850	-	-	184,850
Cancelled	36,405	3,350	2,100	49,000(2)	-	-	90,855
Definitively granted	87,600	-	-	-	-	-	87,600
In circulation at 31 December 2009	**0**	**132,206**	**42,344**	**135,850**	**0**	**0**	**310,400**
In circulation at 1 January 2010	0	132,206	42,344	135,850	0	0	310,400
Granted	-	-	-	-	153,235	49,765	203,000
Cancelled	-	132,206	217	-	-	-	132,423
Definitively granted	-	-	42,127	-	-	-	42,127
In circulation at 30 June 2010	**0**	**0**	**0**	**135,850**	**153,235**	**49,765**	**338,850**

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

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

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

The amount of the IFRS 2 expense recognized in respect of free shares at 30 June 2010 is €1.2 million (€0.1 million at 30 June 2009). The low expense for 2009 reflects the non-achievement of performance and service conditions in the 2008 Plan 1.

18.3 Capital increase reserved to employees

In the context of the Group's employee shareholding policy, ARKEMA offered its employees the opportunity to subscribe to a reserved capital increase at a subscription price of 20.63 euros. This price corresponds to the average opening market price of the ARKEMA share on the Paris stock market in the 20 trading days preceding the Board of Directors' meeting of 3 March 2010, to which a discount of 20% was applied.

The employees subscribed to 824,424 shares, and the capital increase was completed and recognized on 15 April 2010.

Valuation method

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

The main market parameters used in the valuation of the cost of not being able to sell the shares are as follows:
Date of the Board meeting which decided on the capital increase: 3 March 2010
Share price at the date of the board meeting: 25.36 euros
5-year risk free interest rate: 2.76%
Interest rate on 5-year borrowings: 7.5%
Cost of not being able to sell the shares: 20.5%

On the basis of the share price at the date of the Board meeting, the benefit granted represents €4 million. As the cost of not being able to sell the shares, calculated on the basis of the above parameters, is equivalent in amount, no expense has been recognized in the income statement.

19 Off-balance sheet commitments

19.1 Commitments given

19.1.1 Off-balance sheet commitments given in the ordinary course of business

The main commitments given are summarized in the table below:

(In millions of euros)	30 June 2010	31 December 2009
Guarantees granted	74	68
Comfort letters	2	2
Contractual guarantees	29	10
Customs and excise guarantees	8	8
Total	**113**	**88**

Guarantees granted are mainly bank guarantees in favor of local authorities and public bodies (state agencies, environmental agencies) in respect of environmental obligations or concerning classified sites. Market guarantees were set up for certain new contracts entered into during the first half of 2010.

19.1.2 Contractual commitments

- Irrevocable purchase commitments

In the normal course of business, ARKEMA signed multi-year purchase agreements for raw materials and energy for the operational requirements of its factories, in order to guarantee the security and continuity of supply. Signature of such contracts over periods of between 1 to 15 years is a normal practice for companies in ARKEMA's business sector in order to cover their needs.
These purchase commitments were valued taking into account, on a case-by-case basis, ARKEMA's financial commitment to its suppliers, as certain of these contracts include clauses which oblige ARKEMA to take delivery of the minimum volumes as set out in the contract or, otherwise, to pay financial compensation to the supplier. Depending on the case, these commitments are reflected in the purchase agreements in the form of notice periods, indemnification to be paid to the supplier in case of early termination of the contract or "take or pay" clauses.

The total amount of the Group's financial commitments is valued on the basis of the last known prices and amounts to €877 million at 30 June 2010 (see maturity schedule below):

(In millions of euros)	30 June 2010	31 December 2009
2010	143	207
2011	177	136
2012	122	99
2013	78	69
2014 until expiry of the contracts	357	220
Total	**877**	**731**

- Lease commitments

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

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

	30 June 2010		31 December 2009	
(In millions of euros)	Capitalized leases	Non-capitalized leases	Capitalized leases	Non-capitalized leases
2010	1	24	2	24
2011	2	24	2	22
2012	2	22	2	20
2013	2	20	2	18
2014 and beyond	10	85	10	81
Nominal value of future lease payments	**17**	**175**	**18**	**165**
Finance cost	4	NA	4	NA
Present value	**21**	**NA**	**22**	**NA**

NA: not applicable

19.1.3 Other commitments given

Warranties related to sales of businesses

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

The cumulative residual amount of capped warranties in respect of unrecorded liabilities granted in the past by ARKEMA amounted to €93 million at 30 June 2010 (€85 million at 31 December 2009). These amounts are stated net of provisions recognized in the balance sheet in respect of such warranties.

19.2 Commitments received

Commitments received from TOTAL in 2006

In connection with the Spin-Off of Arkema's Businesses, Total S.A. and certain Total companies have extended certain indemnities, or have assumed certain obligations, for the benefit of ARKEMA, relating to (i) certain antitrust litigation, (ii) certain actual or potential environmental liabilities of the Group arising from certain sites in France, Belgium and the United States, the operations on which in the majority of cases have ceased, (iii) certain tax matters, and (iv) the Spin-Off of Arkema's Businesses. These indemnities and obligations are described in note C27.2 to the consolidated financial statements at 31 December 2009.

20 Subsequent events

ARKEMA and SolVin have signed an agreement effective as of 1 July 2010 for the purchase of their reciprocal interests in three joint production entities for VCM (vinyl chloride monomer) and PVC (polyvinyl chloride). As a result, ARKEMA is now the sole shareholder of the two French-located companies Vinylfos and Vinylberre, producers of VCM and PVC respectively, in which ARKEMA previously held 79% and 65% shareholdings. The CVM and PVC producer Vinilis located in Spain, in which Arkema previously held a 35% stake, is now controlled entirely by SolVin.

The purpose of this agreement is to streamline these industrial structures, and it will have no impact on ARKEMA's results.

SCOPE OF CONSOLIDATION AT 30 JUNE 2010

(a) Companies merged in 2010

(b) Companies acquired in 2010

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

Company		Country	%	Method
Akishima Chemical Industries Co.ltd		Japan	100.00	FC
Alphacan BV		Netherlands	100.00	FC
Alphacan DOO		Croatia	100.00	FC
Alphacan Espana SA		Spain	99.92	FC
Alphacan Perfiles SLU		Spain	99.92	FC
Alphacan SA		France	100.00	FC
Alphacan SPA		Italy	100.00	FC
Altuglas International Denmark A/S		Denmark	100.00	FC
Altuglas International SPA		Italy	100.00	FC
Altuglas International BV	(a)	Netherlands	100.00	FC
Altuglas International Mexico Inc		United States	100.00	FC
Altuglas International S.A.		France	100.00	FC
Altuglas International UK Ltd		United Kingdom	100.00	FC
Altuglas Polivar Spa		Italy	100.00	FC
Altumax Deutschland GmbH		Germany	100.00	FC
Altumax Europe SAS		France	100.00	FC
American Acryl LP		United States	50.00	PC
American Acryl NA LLC		United States	50.00	PC
Arkema		South Korea	100.00	FC
Arkema SA		France	100.00	FC
Arkema Amériques SAS		France	100.00	FC
Arkema Asie		France	100.00	FC
Arkema Beijing Chemicals Co. Ltd		China	100.00	FC
Arkema BV	(a)	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 Changshu Haike Chemicals		China	49.00	FC
Arkema China Investment Co. Ltd		China	100.00	FC
Arkema Company Ltd		Hong Kong	100.00	FC
Arkema Daikin Fluorochemical Co ltd		China	60.00	PC
Arkema Delaware Inc.		United States	100.00	FC
Arkema Europe SAS		France	100.00	FC

Arkema France		France	100.00	FC
Arkema Gas Odorants LLC		United States	100.00	FC
Arkema GmbH		Germany	100.00	FC
Arkema Holding Ltd		United Kingdom	100.00	FC
Arkema Inc.		United States	100.00	FC
Arkema Iniciadores SA de CV		Mexico	100.00	FC
Arkema KK		Japan	100.00	FC
Arkema Ltd (UK)		United Kingdom	100.00	FC
Arkema Ltd (Vietnam)		Vietnam	100.00	FC
Arkema Mexico		Mexico	100.00	FC
Arkema North Europe BV		Netherlands	100.00	FC
Arkema Peroxides India Private Limited		India	100.00	FC
Arkema Pte Ltd		Singapore	100.00	FC
Arkema Quimica ltda		Brazil	100.00	FC
Arkema Quimica SA		Spain	99.92	FC
Arkema Hydrogen Peroxide Co. Ltd, Shanghaï		China	66.67	FC
Arkema RE		Ireland	100.00	FC
Arkema Rotterdam BV		Netherlands	100.00	FC
Arkema Shanghai Distribution		China	100.00	FC
Arkema sp Z.o.o		Poland	100.00	FC
Arkema Srl		Italy	100.00	FC
Arkema Vlissingen BV		Netherlands	100.00	FC
Arkema Yoshitomi Ltd		Japan	49.00	EM
Ceca Italiana SRL		Italy	100.00	FC
Ceca SA		France	100.00	FC
Changshu Resichina Engeneering Polymers Co Ltd		China	100.00	FC
Coatex SAS		France	100.00	FC
Coatex Netherlands BV		Netherlands	100.00	FC
Coatex Inc		United States	100.00	FC
Coatex Korea		South Korea	100.00	FC
Coatex CEE		Slovakia	100.00	FC
Coatex NA	(a)	United States	100.00	FC
Coatex Asia Pacific		South Korea	100.00	FC
Coatex Changshu Additives		China	100.00	FC
Daikin Arkema Refrigerants Asia Ltd		Hong-Kong	40.00	PC
Daikin Arkema Refrigerants Trading (Shanghai)		China	40.00	PC
Delaware Chemicals Corporation		United States	100.00	FC
Dorlyl snc		France	100.00	FC
Febex SA		Switzerland	96.77	FC
Luperox Iniciadores SA de CV		Mexico	100.00	FC
Maquiladora General de Matamoros sa de cv		Mexico	100.00	FC

Michelet Finance, Inc.		United States	100.00	FC
Meglas	(b)	Italy	33.00	EM
MLPC International		France	100.00	FC
Oxford Performance Materials		United States	84.50	FC
Oxochimie		France	50.00	PC
Ozark Mahoning Company		United States	100.00	FC
Plasgom		Spain	99.92	FC
Plasticos Altumax SA		Spain	100.00	FC
Qatar Vinyl Company Limited		Qatar	12.91	EM
Résil Belgium		Belgium	100.00	FC
Resilia SRL		Italy	100.00	FC
Resinoplast		France	100.00	FC
Resinoplast North America		Mexico	100.00	FC
SEKI Arkema		South Korea	51.00	FC
Shanghaï Arkema Gaoyuan Chemicals Co, Ltd		China	93.40	FC
Stannica LLC		United States	40.00	PC
Sunclear		France	100.00	FC
Turkish Products, Inc.		United States	100.00	FC
Viking chemical company		United States	100.00	FC
Vinilis		Spain	34.97	EM
Vinylberre		France	65.05	FC
Vinylfos		France	79.00	FC

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

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

I certify that, to the best of my knowledge, the condensed consolidated financial statements at June 30th 2010 have been prepared in accordance with the applicable accounting standards, and give a fair view of the assets, liabilities, financial position and profit or loss of the Company and all its consolidated companies, and that the half-year activity report includes a fair review of the main events of the first six months of the year, their impact on the condensed consolidated financial statements, the major transactions between related parties, and a description of the main risks and uncertainties for the remaining six months of the financial year.

Thierry Le Hénaff
Chairman and CEO

Arkema S.A.

Statutory Auditor's Review Report on the first half-year information for 2010 (free translation of the French original)

January 1st to June 30th 2010
Arkema S.A.
420, rue d'Estienne d'Orves - 92700 Colombes
This report contains 3 pages

KPMG Audit	Ernst & Young Audit
Département de KPMG S.A.	
Commissaire aux Comptes	Commissaire aux Comptes
Membre de la Compagnie de Versailles	Membre de la Compagnie de Versailles
1, cours Valmy	Faubourg de l'Arche
92923 Paris La Défense Cedex	11, allée de l'Arche
	92037 Paris La Défense Cedex
	S.A.S. à capital variable

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

Arkema S.A.

Registered office: 420, rue d'Estiennes d'Orves - 92700 Colombes – France
Share capital: €612,793,970

Statutory Auditors' Review Report on the first half-year financial information for 2010 (free translation of the French original)

January 1st to June 30th 2010

To the Shareholders,

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

· the review of the accompanying condensed half-year consolidated financial statements of Arkema S.A. for the period January 1st to June 30th 2010;

· the verification of information contained in the half-year management report.

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

I – Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance, in the context of a review, that the financial statements taken as a whole are free of significant misstatements is a moderate assurance, lower than that given by an audit.

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

Without calling into question the conclusion given above, we would draw your attention to notes B.3 "Goodwill and business combinations", B.19 "Accounting policies / Main accounting and financial indicators", and C7 "Business combinations", in the annex to the condensed half-year consolidated financial statements, which describe the incidence of the new revised standard IFRS3 applied in the first half of the year.

II – Specific verification

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

Paris la Défense, August 2nd 2010

The Statutory Auditors

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