

Colombes, December 15th 2008

ARKEMA INCREASES ITS PLAN TO REDUCE COSTS

The quick deterioration of the economic environment and the significant destocking effect observed since mid-October have sharpened. Since the end of November, orders have been cancelled by customers especially in the automotive and construction markets and volumes of several product lines such as PVC, PMMA and functional additives, have declined significantly.

This unprecedented situation is affecting Arkema's financial performance despite the good resistance of several businesses. Decrease in sales of fourth quarter 2008 is estimated at 15% compared to fourth quarter 2007. The full year 2008 EBITDA margin should nevertheless be at around 9%, comparable to its level of last year.

Over the end of the year, Arkema is adapting its production to the current level of demand with temporary shutdown or reduction of production at around 40 sites worldwide, is managing very strictly the use of its cash and is controlling its general and administrative costs. In the meantime, Arkema is accelerating the implementation of its fixed cost reduction programme of €500 million between 2005 and 2010, of which more than €330 million by the end of 2008. The restructuring initiatives recently announced by the group in Vinyls and G&A procurement are part of this programme and should generate €65 million on a full year basis.

In addition, Arkema is announcing a further programme to reduce variable and fixed costs by €50 million by the end of 2010.

"Since 2005, we have started an in-depth process to structurally improve Arkema's performance and quality of portfolio. Consequently, the EBITDA will have increased by 40% between 2005 and 2008 and our gearing will remain low at the end of the year, at around 30% of shareholder equity" explains Thierry Le Hénaff, Chairman and CEO of Arkema.

"Taking into account the economic environment at the end of 2008 and the lack of visibility on 2009 outlook, Arkema's teams are preparing the company for tough market conditions expected for next year. The main priority is to manage cash very strictly in order to maintain the quality of the balance sheet through optimization of working capital requirement and a selective approach in approving capital expenditure. Moreover, the variable and fixed cost savings programme will be even more stringent. In the meantime, we will actively continue to transform the company and we are convinced that Arkema has the requirements to adapt to changes in the economic environment."

A global chemical company and France's leading chemicals producer, Arkema consists of three strategically related businesses: Vinyl Products, Industrial Chemicals, and Performance Products. Arkema reports sales of 5.7 billion euros. Arkema has 15,200 employees in over 40 countries and six research centers located in France, the United States and Japan. With internationally recognized brands, Arkema holds leadership positions in its principal markets.

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