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Press release

Communiqué de presse

Paris, August 2nd 2011

ARKEMA: 2ND QUARTER 2011 RESULTS

HIGHEST HISTORICAL NET INCOME AT €184 M
+55% OVER LAST YEAR

- **Sales up by more than 10%**
- **Asia generates 20% of Group's sales**
- **Record EBITDA of €320 M (+33% over 2Q'11)**
- **Highest historical EBITDA margin at 18%**
- **Net income of €3.0 per share against €1.9 per share in 2nd quarter 2010**
- **Acquisition of Total's specialty resins finalized on July 1st, as planned**

The Board of Directors of Arkema met on August 1st 2011 to review the Company's condensed consolidated accounts for the first six months of 2011. Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« With an 18% EBITDA margin, significantly up on last year, the second quarter of 2011 confirms the Group's high performance level in a favorable economic environment, albeit still relatively volatile and mixed based on the regions.

These outstanding results represent the Group's best performance on a quarter. They reflect the increase in sales prices in the vast majority of our product lines, and our ever-growing presence in specialty chemicals. Our repositioning in buoyant markets and the contribution of growth projects, in particular the production units recently opened in China and innovation in sustainable development solutions are key factors of success.

Moreover, the announcement, in the second quarter, of the construction of a world-scale thiochemicals platform in Asia and the closing of the acquisition of Total's specialty resins on July 1st represent decisive steps in our future growth strategy over the next five years. This acquisition makes Arkema a major global player in the coatings materials market. »

MAIN RESULTS FOR 2ND QUARTER 2011

(In millions of euros)	2nd Qtr 2011	2nd Qtr 2010	Variation
Sales	**1,773**	**1,605**	**+10.5%**
EBITDA	**320**	**241**	**+33%**
EBITDA margin	***18.0%***	***15.0%***	
Vinyl Products	*0.3%*	*0.0%*	
Industrial Chemicals	*23.8%*	*20.6%*	
Performance Products	*19.0%*	*17.0%*	
Recurring operating income	**248**	**169**	**+47%**
Non-recurring items	(5)	3	-
Adjusted net income	**188**	**117**	**+61%**
Net income – Group share	**184**	**119**	**+55%**

2ND QUARTER 2011 ACTIVITY

Sales in 2nd quarter 2011 continued to increase, reaching €1,773 million against €1,605 million in 2nd quarter 2010 **(+10.5%)**. The 15.8% price effect translates the Company's ability to offset raw material price rises by major increases in sales prices for the vast majority of business lines. The -0.5% volume effect includes a 2.1% increase in volume for Industrial Chemicals and Performance Products overall, and a reduction in volume for Vinyl Products essentially related to the impact of the major maintenance turnaround in Lavera and a softer activity in June related to the announcement of lower ethylene prices. The sale of the PVC pipes business in France had a negative scope of business effect (-0.2%). The –4.6% currency translation effect reflects the significant rise of the euro vs the US dollar.

EBITDA reached **€320 million** in 2nd quarter 2011, a new historical high and a strong increase over 2nd quarter 2010 **(+33%)**. This improvement owes little to acrylic monomers and vinyl products. Above all it illustrates the excellent repositioning of all business lines in fast-growing markets (photovoltaics, animal nutrition, water treatment, electronics, etc.), the contribution of growth projects, in particular the new production units in China in the fluorochemicals chain (HFC-125 gas and PVDF Kynar® polymer), and the new applications from innovation, and finally Arkema's ability to pass on rises in raw material costs to its sales prices.

EBITDA margin also reached a record level at 18.0%. Overall, Industrial Chemicals and Performance Products achieved an EBITDA margin of 22.2%.

Operating income rose 41% to €243 million compared to 2nd quarter 2010, after deduction of €72 million amortization, stable compared to the previous year, and -€5 million non-recurring items.

Income taxes of €57 million accounted for 23% of recurring operating income, benefiting in France from the use of tax deficits and in Spain from the recognition of differed tax assets.

Net income Group share was 55% up on 2nd quarter 2010, rising to **€184 million**. For the first time since Arkema's spin off, this represents more than **10%** of the Group's sales on a quarter.

SEGMENT PERFORMANCE IN 2ND QUARTER 2011

Industrial Chemicals (54% of Arkema's sales in 2Q'11): OUTSTANDING PERFORMANCE IN ALL PRODUCT LINES

Industrial Chemicals sales improved by 12.5% to €961 million (€854 million in 2nd quarter 2010), sustained by significant price increases implemented in most business lines, and, to a lesser extent, by growing volumes.

EBITDA reached a new record of **€229 million** against €176 million in 2nd quarter 2010 with, for the second quarter in a row, a 24% EBITDA margin, on a par with the best in the industry. This excellent performance reflects the internal improvements made in each specialty business line: in Fluorochemicals, the positioning in latest generation refrigerant gases as well as a stronger presence in Asia; in PMMA, the development of the LED television market; and in Thiochemicals, the contribution of the animal nutrition market and developments in oil and gas. Additionally, acrylic monomers benefited from high unit margins with tight supply/demand balance conditions.

Performance Products (28% of Arkema's sales in 2Q'11): VOLUMES AND PRICES SUPPORT RECORD EBITDA

Performance Products sales continued to grow, reaching €504 million (+12.5% compared to 2nd quarter 2010). Sales prices improved significantly in all business lines, while volumes continued to grow selectively, for example in fluoro-polymers in Asia.

EBITDA stood at **€96 million**, their highest historical level, against €76 million in 2nd quarter 2010. In addition to price increases, EBITDA benefited from the strong growth momentum in Asia with the rapid ramp up of the Kynar® PVDF fluoropolymer production unit started in March in Changshu (China). This also includes the significant contribution of new applications in many sectors related to sustainable development (photovoltaics, high performance biopolymers for automotive, filtration, specialty glass coatings for recycling, etc.) and the refocusing of Specialty Polyamides on higher value added applications.

EBITDA margin reached 19.0% against 17.0% in 2nd quarter 2010.

Vinyl Products (18% of Arkema's sales in 2Q'11): EBITDA AT BREAKEVEN

Vinyl Products sales stood at €303 million against €298 million in 2nd quarter 2010. In a construction market that continues to be challenging in Europe, volumes decreased compared to last year. They were limited by the five-year maintenance turnaround in Lavera and by weaker demand in June related to the announcement of a drop in ethylene prices. PVC and caustic soda prices were increased, offsetting the rise in electricity and ethylene costs.

EBITDA remained stable. Improvement in competitiveness and refocusing on the more profitable activities remain the top priorities of this segment. Accordingly, Arkema finalized in June the divestment of the PVC pipes business in France, which accounted for €45 million sales.

Once again, Qatar Vinyl Company, in which Arkema has a 13% shareholding, reported an excellent performance, with a contribution of €3 million equity income.

MAIN RESULTS FOR 1ST HALF 2011

(In millions of euros)	1st half 2011	1st half 2010	Variation
Sales	**3,506**	**2,913**	**+20%**
EBITDA	**607**	**378**	**+61%**
EBITDA margin	***17.3%***	***13.0%***	
Vinyl Products	*0.3%*	*(1.4)%*	
Industrial Chemicals	*24.0%*	*18.0%*	
Performance Products	*17.6%*	*15.9%*	
Recurring operating income	**464**	**236**	**+97%**
Non-recurring items	(10)	(4)	-
Adjusted net income	**344**	**158**	**x 2.2**
Net income – Group share	**335**	**159**	**x 2.1**

NET DEBT AT JUNE 30TH 2011

At June 30th 2011, **net debt** stood at €265 million against €94 million at December 31st 2010. It includes the payment of a €1.0 dividend per share as well as the impact of the acquisition of equity in Canada Fluorspar Inc. amounting to CDN$15 million (approximately €11 million) and some acquisition costs of Total's specialty resins activities (€6 million).

The traditional increase in working capital in the first half of the year was intensified this year by the very strong surge in sales combined with the significant increase in sales prices and raw material costs as well as a build-up of some inventories in the run-up to the maintenance turnarounds planned for later in the year. The working capital on sales ratio objective for the year below 15% is maintained.

HIGHLIGHTS OF 2ND QUARTER 2011

Following its successful startup in March, and on time, the new Kynar® PVDF fluoro-polymer production unit in Changshu (China) has ramped up quickly. In accordance to the Group's growth strategy in emerging countries, this new plant bolsters Arkema's position in Asia. It supplies the traditional Kynar® markets as well as the new fast growing markets (photovoltaics, lithium-ion batteries).

In April 2011, Arkema announced a major project for the construction of a thiochemicals platform in Asia in partnership with Korean company CheilJedang (CJ Group). Alongside the traditional production of thiochemicals, this project includes the construction of the first world-scale industrial plant for bio-methionine, a sulfur amino acid widely used in animal feed which is enjoying strong growth in Asia. The project represents overall capital expenditure of $400 million shared equally between both partners.

On June 1st 2011, Alphacan, an Arkema Group subsidiary, finalized the sale of its pipes business in France to Pipelife France, a subsidiary of the Pipelife group. This business, which generates sales of €45 million, operates manufacturing facilities on the Gaillon site (France – Eure). With this project, Alphacan is pursuing its strategy in France to focus its business on PVC profiles in order to develop its higher added value specialty activities.

In June 2011, Arkema and Canada Fluorspar Inc. (CFI) signed a memorandum of understanding to enable the two groups to develop jointly a fluorspar mine at St Lawrence (Newfoundland – Canada). Fluorspar is the key feedstock for the manufacture of refrigerant gases and fluoropolymers. An initial investment of CDN$15.5 million will enable Arkema to progressively acquire a 19.9% stake in CFI's capital. The first stage of this operation took place at 30 June, raising Arkema's ownership to 11%. Subsequently both groups are to develop and operate jointly, via a 50-50 joint venture, the operation of the St. Lawrence mine, due to come on stream early 2013. The overall investment will represent C$100 million, with a large part made in 2nd half 2011. This venture will provide Arkema with long-term competitive access to a strategic raw material for its North American fluorochemicals activities.

POST BALANCE SHEET EVENTS

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

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

OUTLOOK

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

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

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

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

The 2nd quarter and 1st half 2011 results and outlook are detailed in the « 2nd Quarter 2011 results » presentation available on the website www.finance.arkema.com.

FINANCIAL CALENDAR

November 9th 2011 Publication of 2011 3rd quarter results

A global chemical company and France's leading chemicals producer, Arkema is building the future of the chemical industry every day. Deploying a responsible, innovation-based approach, we produce state-of-the-art specialty chemicals that provide customers with practical solutions to such challenges as climate change, access to drinking water, the future of energy, fossil fuel preservation and the need for lighter materials. With operations in more than 40 countries, 14,000 employees and 8 research centers, Arkema generates annual revenue of around €5.9 billion and holds leadership positions in all its markets with a portfolio of internationally recognized brands. ***The world is our inspiration.***

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The information disclosed in this press release may contain forward-looking statements with respect to the financial conditions, results of operations, business and strategy of Arkema. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as, among others, changes in raw materials prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions. Arkema does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect Arkema's financial results is provided in the documents filed with the French Autorité des marchés financiers.

Balance sheet, income statement, cash flow statement, statement of changes in shareholders' equity and information by business segment included in this press release are extracted from the consolidated financial statements at June 30th 2011 reviewed by the Board of Directors of Arkema S.A. on August 1st 2011.

Quarterly financial information is not audited.

The business segment information is presented in accordance with Arkema's internal reporting system used by the management.

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 expenses, badwills and stock valuation adjustments between the fair value on the acquisition date and the replacement value*
  - *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.*