ARKEMA
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Press release

Communiqué de presse

Paris, August 3rd, 2010

ARKEMA: 2ND QUARTER 2010 RESULTS

RECORD PERFORMANCE
+38% SALES
€119 MILLION NET INCOME

- **Sales up 38% on 2nd quarter 2009 (27% at constant scope of business)**
- **€241 million EBITDA, multiplied by 3.4 versus 2nd quarter 2009, and 76% up on 1st quarter 2010**
- **15% EBITDA margin (previous high at 10.7% in 1st quarter 2008)**
- **Net income of €119 million, representing 7.4% of sales**
- **Low gearing maintained at 18% of shareholders' equity**
- **Full-year EBITDA target increased significantly with an EBITDA exceeding €600 million**

The Board of Directors of Arkema met on August 2nd, 2010 to review Arkema's condensed consolidated financial statements for the first six months of 2010. At the close of this meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« By achieving, in the 2nd quarter, in an improving market environment, its best performance since spin off, Arkema has clearly demonstrated the extent of the work it accomplished and the success of the strategy implemented for over four years.

Two examples illustrate the transformation undertaken by the Group: the start-up and ramp-up of a new production unit in China in Fluorochemicals which contributes to increase our presence in Asia, and the successful integration of the acrylics assets purchased from Dow which strengthens our position on a growing market.

Our Group also benefits from its constant efforts to improve its competitiveness. With a 15% EBITDA margin in 2nd quarter, our performance is similar to that of our main competitors, and confirms the company's potential.

These results are especially encouraging as volumes are still below pre-crisis levels and Vinyls remain affected by a weak construction market in Europe.

The level of performance achieved in the first six months allows us to increase significantly our full-year EBITDA target, with a 2010 EBITDA target exceeding €600 million. 2010 should therefore be an excellent year for Arkema. »

KEY RESULTS OF 2ND QUARTER 2010

(In millions of euros)	2nd Quarter 2010	2nd Quarter 2009	Variation
Sales	**1,605**	**1,167**	**+38%**
EBITDA	**241**	**70**	**x3.4**
EBITDA margin	***15.0%***	***6.0%***	
Vinyl Products	*0.0%*	*(2.6)%*	
Industrial Chemicals	*20.6%*	*13.8%*	
Performance Products	*17.0%*	*6.5%*	
Recurring operating income	**169**	**2**	**x84.5**
Non-recurring items	3	(94)	-
Adjusted net income	**117**	**(25)**	**-**
Net income – Group share	**119**	**(114)**	**-**

2ND QUARTER 2010 PERFORMANCE

Up 38% on 2nd quarter 2009, **sales** in 2nd quarter 2010 rose to a record **€1,605** million. Volumes increased by 12% at constant scope of business, supported by strong demand in Asia, an improvement in North America, and the contribution of new developments in growing markets. The acrylic assets purchased from Dow represented an 11% scope of business effect. Increases in sales prices, notably in acrylics, exceeded those of raw materials costs, and resulted in an 11% price effect. The +4% translation effect primarily reflected the strengthening of the US dollar against the euro.

Arkema achieved by far its best ever **EBITDA** at **€241** million (compared to €159 million in 1st quarter 2008, its previous high). It was multiplied by 3.4 compared to 2nd quarter 2009, and was 76% up on 1st quarter 2010. All segments contributed to EBITDA improvement. Beyond the much improved market conditions (except for Vinyl Products), this performance reflected Arkema's ability to pass higher raw material costs on to its sales prices, and the benefits of four years of transformation of the Group. The new developments in fast-growing markets, start-up of new plants in Asia, and fixed cost reductions fully bore fruit as volumes started to recover. The assets acquired from Dow benefited from an improvement of acrylic market conditions.

EBITDA margin rose to 15.0% against 6.0% in 2nd quarter 2009, and 10.7%, its previous high in 1st quarter 2008.

Income taxes of €49 million for the quarter represented 29% of recurring operating income.

Net income (Group share) rose to +€119 million against -€114 million in 2nd quarter 2009.

SEGMENT PERFORMANCE IN 2ND QUARTER 2010

Vinyl Products (19% of Arkema's sales in 2Q'10): **MARKET CONDITIONS REMAIN CHALLENGING**

Vinyl Products sales stood at €298 million against €266 million in 2nd quarter 2009, up 12%. Volumes improved slightly in a construction market that remained challenging in Europe. The increase in PVC prices offset the rise in the cost of ethylene, but unit margins remained low. Caustic soda prices were below those of 2nd quarter 2009, but increased compared to 1st quarter 2010. EBITDA was breakeven against a loss of -€7 million in 2nd quarter 2009. Improving competitiveness remains the priority in this segment for the coming months.

Qatar Vinyl Company, in which Arkema owns a 13% stake, continued to report a strong performance.

Industrial Chemicals (53% of Arkema's sales in 2Q'10): **ABOVE 20% EBITDA MARGIN**

Industrial Chemicals sales stood at €854 million, 57% up on 2nd quarter 2009. At constant scope of business, sales increased by 33%, volume and price effects representing 13% and 15% respectively. Former Dow acrylic assets, integrated end of January, generated sales of €132 million in 2nd quarter.

EBITDA stood at €176 million, i.e. 2.3 times the EBITDA of the 2nd quarter 2009. Beyond the traditionally strong seasonality in Fluorochemicals and Coatings and the improvement in acrylic monomers margins, the significant improvement in EBITDA reflected the extent of internal progress. The successful start-up of the new HFC-125 fluorogas production plant at Changshu (China), the restructuring of the Methacrylates businesses in France, and the integration of the acrylic assets from Dow significantly contributed.

EBITDA margin reached an all time high level, at 20.6% (against 13.8% in 2nd quarter 2009).

Performance Products (28% of Arkema's sales in 2Q'10): **EBITDA MULTIPLIED BY 3, SUPPORTED BY NEW DEVELOPMENTS**

Performance Products sales stood at €448 million, 26% up on 2nd quarter 2009. Volumes rose by 19% on strong demand in Asia, an improvement in Europe and the United States, and the growing contribution of new developments in renewable energies and very high performance polymers.

EBITDA was 3.3 times greater than in 2nd quarter 2009, at €76 million. Beyond the positive effects of Asia and R&D, Technical Polymers and Functional Additives also benefited from lower fixed costs as volumes recovered. Unit margins remained resilient in an environment of rising raw materials.

Hence, EBITDA margin reached 17.0% (against 6.5% in 2nd quarter 2009), also its record level since Arkema's spin off.

KEY RESULTS FOR 1ST HALF 2010

(In millions of euros)	1st half 2010	1st half 2009	Variation
Sales	**2,913**	**2,259**	**+29%**
EBITDA	**378**	**127**	**x3**
EBITDA margin	***13.0%***	***5.6%***	
Vinyl Products	*(1.4)%*	*(1.0)%*	
Industrial Chemicals	*18.0%*	*14.1%*	
Performance Products	*15.9%*	*5.9%*	
Recurring operating income	**236**	**(10)**	**n.a.**
Non-recurring items	(4)	(98)	-
Adjusted net income	**158**	**(55)**	**n.a.**
Net income – Group share	**159**	**(149)**	**n.a.**

CASH FLOW AND NET DEBT AT JUNE 30TH 2010

Free cash flow[1] at June 30th 2010 was positive at +€14 million despite a -€131 million[2] change in working capital related to significant sales increase. In the first six months 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% at June 30th, 2009. Recurring capital expenditure amounted to €113 million in 1st half 2010.

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

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.

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.

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

The 2nd quarter and 1st half 2010 results and outlook are detailed in the « 2nd Quarter 2010 results » presentation available on the website www.finance.arkema.com.

FINANCIAL CALENDAR

November 9th 2010 Publication of 3rd quarter 2010 results

A global chemical company, Arkema consists of three businesses: Vinyl Products, Industrial Chemicals, and Performance Products. Arkema reported sales of 4.4 billion euros in 2009. Arkema has 13,800 employees in over 40 countries and seven 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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Disclaimer

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 2010 reviewed by the Board of Directors of Arkema S.A. on August 2nd 2010.

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.*

ARKEMA Financial Statements

Consolidated financial statements - At the end of June 2010

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	2nd Quarter 2010 (non audited)	1st half 2010 (audited)	2nd Quarter 2009 (non audited)	1st half 2009 (audited)
Sales	**1 605**	**2 913**	**1 167**	**2 259**
Operating expenses	(1 304)	(2 418)	(1 041)	(2 014)
Research and development expenses	(34)	(68)	(32)	(68)
Selling and administrative expenses	(98)	(191)	(92)	(187)
Recurring operating income	**169**	**236**	**2**	**(10)**
Other income and expenses	3	(4)	(94)	(98)
Operating income	**172**	**232**	**(92)**	**(108)**
Equity in income of affiliates	4	7	3	5
Financial result	(7)	(12)	(7)	(15)
Income taxes	(49)	(67)	(17)	(30)
Net income of continuing operations	**120**	**160**	**(113)**	**(148)**
Net income of discontinued operations	**-**	**-**	**-**	**-**
Net income	**120**	**160**	**(113)**	**(148)**
Of which non-controlling interests	1	1	1	1
Net income - Group share	**119**	**159**	**(114)**	**(149)**
Earnings per share (amount in euros)	*1,96*	*2,62*	*(1,89)*	*(2,47)*
Diluted earnings per share (amount in euros)	*1,95*	*2,61*	*(1,88)*	*(2,46)*
Depreciation and amortization	(72)	(142)	(68)	(137)
EBITDA	**241**	**378**	**70**	**127**
Adjusted net income	**117**	**158**	**(25)**	**(55)**
Adjusted net income per share (amount in euros)	*1,92*	*2,60*	*(0,41)*	*(0,91)*
Diluted adjusted net income per share (amount in euros)	*1,92*	*2,60*	*(0,41)*	*(0,91)*

CONSOLIDATED BALANCE SHEET

(In millions of euros)	30 June 2010 (audited)	31 December 2009 (audited)
ASSETS		
Intangible assets, net	497	481
Property, plant and equipment, net	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	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	**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	829	791
Non-current debt	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	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 *(audited)*	1st half 2009 *(audited)*
Cash flow - operating activities		
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**
Cash flow - investing activities		
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)**
Cash flow - financing activities		
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**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(audited)

(In millions of euros)	Shares issued					Treasury shares				
	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 expense 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**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(audited)

At 30 June 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**

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	2d Quarter 2010				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	298	854	448	5	**1 605**
Inter segment sales	15	38	4	-	
Total sales	**313**	**892**	**452**	**5**	
Recurring operating income	**(13)**	**140**	**53**	**(11)**	**169**
Other income and expenses	(1)	3		1	3
Operating income	**(14)**	**143**	**53**	**(10)**	**172**
Equity in income of affiliates	3	-	1	-	4
Details of certain significant non-cash expenses by segment :					
Depreciation and amortization	(13)	(36)	(23)	-	(72)
Asset impairment charges		(1)			(1)
Provisions	1	16	(2)	5	20
EBITDA	**-**	**176**	**76**	**(11)**	**241**
Intangible assets and property, plant and equipment additions	12	30	24	3	69
Of which additions of an exceptional nature		5	1		6

(In millions of euros)	2d Quarter 2009				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	266	543	355	3	**1 167**
Inter segment sales	7	23	3	-	
Total sales	**273**	**566**	**358**	**3**	
Recurring operating income	**(19)**	**43**	**-**	**(22)**	**2**
Other income and expenses	(1)	(84)	(6)	(3)	(94)
Operating income	**(20)**	**(41)**	**(6)**	**(25)**	**(92)**
Equity in income of affiliates	3	-	-	-	3
Details of certain significant non-cash expenses by segment :					
Depreciation and amortization	(12)	(32)	(23)	(1)	(68)
Asset impairment charges	-	(27)	(1)	-	(28)
Provisions	11	(48)	4	8	(25)
EBITDA	**(7)**	**75**	**23**	**(21)**	**70**
Intangible assets and property, plant and equipment additions	10	30	33	-	73
Of which additions of an exceptional nature	1	-	(1)	-	-

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	**1st half 2010** **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

(In millions of euros)	**1st half 2009** **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