Colombes, 15 May 2013

Arkema quarterly information: 1st quarter 2013 results

Solid start to the year in a contrasted economic environment

- **€1,563 million sales**
- **Volumes slightly down by 1.3% and good resilience of prices and unit margins**
- **€234 million EBITDA, below the high base of 1st quarter 2012**
- **15% EBITDA margin close to 1st quarter 2012**
- **Benefit of strong presence in North America (35% of sales)**
- **Industrial Specialties and Coating Solutions above last year.**
  High Performance Materials down year-on-year but improving on 4th quarter 2012.
- **Adjusted net income of €97 million, i.e. 6.2% of sales**

The Board of Directors of Arkema met on May 14th 2013 to review the Group's consolidated accounts for 1st quarter 2013. At the end of the meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« Organized around three well balanced specialties segments, the Group achieved a solid performance in an environment that remains contrasted in the continuity of the end of last year. The Group's repositioning on high added value specialty businesses, its global geographic presence, with a strong base in North America, and the diversity of its end-markets supported Arkema's strong performance despite the slowdown seen in Europe.

For 2013, building on these assets and on its ongoing projects, and while staying cautious about the future economic environment, the Group confirms its confidence in its ability to achieve a strong year. »

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(In millions of euros)	Q1 2012	Q1 2013	Variation
Sales	**1,623**	**1,563**	**-3.7%**
EBITDA	**253**	**234**	**-7.5%**
EBITDA margin	**15.6%**	**15.0%**	
High Performance Materials	*19.1%*	*15.6%*	
Industrial Specialties	*18.2%*	*19.3%*	
Coating Solutions	*13.2%*	*13.7%*	
Recurring operating income	180	158	-12.2%
Non-recurring items	-	(127)	n.a.
Adjusted net income*	**123**	**97**	**-21.1%**
Net income – Group share	100	(30)	n.a.
Diluted adjusted net income per share (in €)	1.97	1.53	-22.3%

* For Q1 2012, adjusted net income of continuing operations (excluding impact of the vinyl activities divested beginning of July 2012)

FIRST QUARTER 2013 ACTIVITY

Sales in 1st quarter 2013 stood at **€1,563 million** against €1,623 million in 1st quarter 2012, 3.7% down. The -2.1% scope of business effect primarily reflects the impact of the divestment of the tin stabilizer activities finalized on 1st October 2012. Volumes recorded a slight decline (-1.3%) compared to 1st quarter 2012. They reflect the slow start of the High Performance Materials segment at the beginning of 2013, affected, as expected, by the weak demand in some end-markets, in particular for fluoropolymers. Volumes in the other two segments, Industrial Specialties and Coating Solutions, were slightly up compared to last year. Prices overall remained stable (+0.4%), while the translation effect was slightly negative (-0.7%).

Despite an economic environment that was less favorable than last year in particular in Europe, **EBITDA** reached **€234 million**, a very solid level and the 3rd best historical performance for a first quarter. The Industrial Specialties and Coating Solutions segments recorded a noticeable improvement compared to last year (EBITDA up by +7% and +5.5% respectively), supported in particular by the strong positions developed by the Group in North America. As expected, High Performance Materials had a slow start to the year, albeit showing some recovery compared to the end of last year.

At 15.0%, the **EBITDA margin** ranked among the highest in the industry, reflecting Arkema's strong positions built in specialty chemicals.

Recurring operating income reached **€158 million** against €180 million in 1st quarter 2012, after deduction of €76 million depreciation and amortization, slightly up on last year.

Non-recurring items stood at -€127 million. They essentially correspond to a €125 million exceptional charge recorded following the insolvency proceedings concerning Kem One SAS, the company operating the upstream activities (chlorine / caustic soda electrolysis and PVC) of the vinyl activities sold by Arkema to the Klesch group. The booked amount corresponds to Arkema's estimated overall exposure to Kem One SAS.

Income taxes amounted to €49 million, i.e. 31% of recurring operating income. This rate reflects the geographic breakdown of the results, with a significant part of the Group's results generated in North America and a smaller part in Europe.

Bearing in mind the non-recurring items recorded in 1st quarter 2013, **net income, Group share** stood at **-€30 million** against €100 million in 1st quarter 2012. Excluding the impact of these exceptional items, the **adjusted net income** stood at **€97 million**, i.e. 6.2% of sales.

SEGMENT PERFORMANCE IN 1ST QUARTER 2013

HIGH PERFORMANCE MATERIALS

As announced with the publication of 2012 annual results, **High Performance Materials** started off the year slowly with market conditions in the continuity of the end of last year and marked by weak demand in some specific markets such as photovoltaics and oil and gas (deferred timing of some new projects). Nevertheless these results are significantly up versus 4th quarter 2012. The segment's mid-term outlook remains excellent and will continue to be supported by a strong momentum in innovation and new products introduction.

Accordingly, the segment's **sales** amounted to **€448 million** against €534 million in 1st quarter 2012. They primarily reflect the negative impact of a -6% change in the scope of business (mostly divestment of the tin stabilizer activity) and a decrease in volumes compared to the very high levels of 1st quarter 2012 (-7%).

EBITDA stood at **€70 million**, and **EBITDA margin** remained robust at **15.6%**.

Within Technical Polymers, specialty polyamides achieved a good quarter, while demand in photovoltaics and the delays of certain projects in the oil and gas sector affected fluoropolymers. The performance of the Filtration and Adsorption BU was also impacted by a timing different than in 2012 for some oil and gas projects. Finally, Organic Peroxides continued to strengthen their profile through the management of their business portfolio (divestment of tin stabilizers finalized on 1st October 2012).

INDUSTRIAL SPECIALTIES

The **Industrial Specialties** segment again achieved an excellent performance with **€104 million EBITDA** and a **19.3% EBITDA margin** (€97 million and 18.2% respectively in 1st quarter 2012).

Sales reached **€539 million**, slightly up on 1st quarter 2012 (€532 million), with higher volumes. All of the segment's activities continued to benefit in particular from the ongoing favorable environment in the United States where they enjoy a strong industrial presence.

Performance in Thiochemicals remained well oriented, sustained by good volumes and strong demand in the animal feed and petrochemicals and refining markets. Despite unit margins under pressure for some fluorogases, the performance of the Fluorogases BU remained high, and continued to benefit from its broad product range and wide geographic presence. In PMMA, sound demand in the automotive sector in the US helped partly offset more challenging market conditions in Europe. Finally, the performance of Hydrogen Peroxide remained stable.

COATING SOLUTIONS

The **Coating Solutions** segment improved compared to 1st quarter 2012.

Sales amounted to **€562 million**, 2% up over 1st quarter 2012 thanks to a positive volume effect as well as price increases compensating rises in raw material costs.

EBITDA and **EBITDA margin** also increased (**€77 million** and **13.7%** against €73 million and 13.2% respectively in 1st quarter 2012). Acrylic monomers, where volumes improved over last year, maintained unit margins at levels in line with the mid-cycle assumptions made for 2013. Market conditions in coating resins remained mixed. Demand for decorative paints improved gradually in North America, but remained weak in Europe, where climate conditions were not favorable in 1st quarter 2013. Finally, the performances of Sartomer and Coatex remained very strong, supported by innovation and geographic expansion.

CASH FLOW AND NET DEBT AT 31ST MARCH 2013

In 1st quarter 2013, Arkema generated **-€100 million free cash flow**[1] which reflects the traditional seasonality of working capital related to the strong increase in sales compared to the end of 2012 and which includes capex totalling €75 million consistent with the annual target of €500 million.

Net debt stood at **€1,009 million** at 31 March 2013 against €900 million at 31 December 2012, i.e. 43.5% gearing.

HIGHLIGHTS SINCE 1ST JANUARY 2013

Since 1st January 2013, Arkema completed two acquisitions in line with its strategy in High Performance Materials:

- **Securing access to its strategic raw materials:**

  On 11 April 2013, Arkema signed an agreement with Indian company Jayant Agro, one of the world's leading producers of castor oil and derivatives with a view to acquiring a stake of some 25% in Ihsedu Agrochem, one of its subsidiaries which specializes in the production of castor oil. This joint venture aims to develop castor oil production and will provide Arkema with long-term secure and competitive access to this strategic raw material for the manufacture of its biosourced polyamides (PA 10 and PA 11). The project should be finalized in 3rd quarter 2013;

- **Speeding up development through innovation:**

  On 3 April 2013, Arkema announced its purchase of a majority stake in AEC Polymers, which produces in particular methacrylate structural adhesives based on a technology developed by Arkema.

Review of the consequences for Arkema of the difficulties encountered by Kem One

On 27 March 2013, Arkema was informed of the opening by the Lyon commercial court of insolvency proceedings with continuation of activities for a six-month observation period against the company Kem One SAS, which corresponds to the upstream part (chlorine / caustic soda electrolysis and PVC production) of the whole business sold by Arkema to the Klesch group in July 2012. In this context, Arkema booked in 1st quarter 2013 a €125 million non-recurring charge corresponding to the Group's overall exposure to Kem One SAS (receivables towards Kem One and guarantees granted to third parties).

In a writ received on 12 March 2013, the Klesch group initiated arbitration proceedings against Arkema as part of the sale of its vinyl activities, which have now become Kem One, with a view to seeking damages amounting to €310 million. Arkema, which vigorously refutes these unfounded accusations, has launched all necessary initiatives to defend its rights and prove its good faith before the relevant authorities, and is perfectly confident in its ability to demonstrate this.

OUTLOOK

Market conditions remain overall contrasted depending on the regions. Market conditions are solid in North America whereas the economic situation in Europe remains challenging. Growth in China is slower than expected with some signs of a recovery.

In 2nd quarter, the Industrial Specialties and Coating Solutions segments should remain well oriented. In High Performance Materials, photovoltaic and oil and gas markets should be in the continuity of 1st quarter, but should improve in second half of the year.

In this context, the Group confirms its confidence in its ability to achieve a strong performance in 2013, while remaining cautious about macro-economic development. In line with its ambition to become a world leader in specialty chemicals and advanced materials, Arkema will continue to actively implement its major organic growth projects such as the construction of its Thiochemicals platform in Malaysia and its capex program in Acrylics in North America, while planning capex of some €500 million in 2013.

The Group also confirms its ambition to achieve in 2016 €8 billion sales and a 16% EBITDA margin while maintaining gearing below 40%.

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[1] Cash flow from operations and investments excluding the impact of portfolio management.

FINANCIAL CALENDAR

4 June 2013	Shareholders' Annual General Meeting
1st August 2013	1st half 2013 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, some 14,000 employees and 10 research centers, Arkema generates annual revenue of €6.4 billion, and holds leadership positions in all its markets with a portfolio of internationally recognized brands.*

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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 31 March 2013 closed by the Board of Directors of Arkema SA on 14 May 2013.

Quarterly financial information is not audited.

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;*
- ***Recurring investments:*** *these correspond to tangible and intangible investments which exclude a small number of investments of an exceptional nature that the Group presents separately in order to facilitate the analysis of cash generation in its financial communication. These investments characterized by their size or their nature are presented either as non-recurring investments or in acquisitions and divestments;*
- ***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 March 2013

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	**End of March 2013** *(non audited)*	**End of March 2012** *(non audited)*
Sales	**1 563**	**1 623**
Operating expenses	(1 256)	(1 297)
Research and development expenses	(39)	(38)
Selling and administrative expenses	(110)	(108)
Recurring operating income	**158**	**180**
Other income and expenses	(127)	-
Operating income	**31**	**180**
Equity in income of affiliates	2	3
Financial result	(14)	(11)
Income taxes	(49)	(49)
Net income of continuing operations	**(30)**	**123**
Net income of discontinued operations	**-**	**(23)**
Net income	**(30)**	**100**
Of which non-controlling interests	-	-
Net income - Group share	**(30)**	**100**
Of which continuing operations	**(30)**	**123**
Of which discontinued operations	**-**	**(23)**
Earnings per share (amount in euros)	*(0,48)*	*1,62*
Earnings per share of continuing operations (amount in euros)	*(0,48)*	*1,99*
Diluted earnings per share (amount in euros)	*(0,48)*	*1,60*
Diluted earnings per share of continuing operations (amount in euros)	*(0,48)*	*1,97*
Depreciation and amortization	(76)	(73)
EBITDA	**234**	**253**
Adjusted net income of continuing operations	**97**	**123**
Adjusted net income per share of continuing operations (amount in euros)	*1,55*	*1,99*
Diluted adjusted net income per share of continuing operations (amount in euros)	*1,53*	*1,97*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In millions of euros)	**End of March 2013** *(non audited)*	**End of March 2012** *(non audited)*
Net income	**(30)**	**100**
Actuarial gains and losses [1]	-	-
Deffered taxes on actuarial gains and losses [1]	-	-
Hedging adjustments	(3)	(7)
Deffered taxes on hedging adjustments	-	-
Other items	-	-
Deffered taxes on other items	-	-
Change in translation adjustments	38	(39)
Other comprehensive income of continuing operations	**35**	**(46)**
Other comprehensive income of discontinued operations	-	(6)
Total income and expenses recognized directly in equity	**35**	**(52)**
Comprehensive income	**5**	**48**
Of which: non-controlling interest	1	(1)
Comprehensive income - Group share	**4**	**49**

[1] Actuarial gains and losses and related deferred taxes are the only items that cannot be recycled to net income.

CONSOLIDATED BALANCE SHEET

(In millions of euros)	31 March 2013 *(non audited)*	31 December 2012 *(audited)*
ASSETS		
Intangible assets, net	986	962
Property, plant and equipment, net	1 865	1 852
Equity affiliates : investments and loans	68	71
Other investments	56	36
Deferred tax assets	81	83
Other non-current assets	145	147
TOTAL NON-CURRENT ASSETS	**3 201**	**3 151**
Inventories	998	920
Accounts receivable	1 032	920
Other receivables and prepaid expenses	141	147
Income taxes recoverable	36	35
Other current financial assets	2	8
Cash and cash equivalents	307	360
TOTAL CURRENT ASSETS	**2 516**	**2 390**
Assets held for sale	-	-
TOTAL ASSETS	**5 717**	**5 541**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	629	629
Paid-in surplus and retained earnings	1 556	1 587
Treasury shares	(16)	(16)
Translation adjustments	119	82
SHAREHOLDERS' EQUITY - GROUP SHARE	**2 288**	**2 282**
Non-controlling interests	32	29
TOTAL SHAREHOLDERS' EQUITY	**2 320**	**2 311**
Deferred tax liabilities	31	33
Provisions and other non-current liabilities	932	878
Non-current debt	1 070	1 071
TOTAL NON-CURRENT LIABILITIES	**2 033**	**1 982**
Accounts payable	772	683
Other creditors and accrued liabilities	258	318
Income taxes payable	82	56
Other current financial liabilities	6	2
Current debt	246	189
TOTAL CURRENT LIABILITIES	**1 364**	**1 248**
Liabilities associated with assets held for sale	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5 717**	**5 541**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	End of March 2013 *(non audited)*	End of March 2012 *(non audited)*
Cash flow - operating activities		
Net income	(30)	100
Depreciation, amortization and impairment of assets	76	85
Provisions, valuation allowances and deferred taxes	48	(28)
(Gains)/losses on sales of assets	(2)	(3)
Undistributed affiliate equity earnings	7	(3)
Change in working capital	(98)	(79)
Other changes	3	1
Cash flow from operating activities	**4**	**73**
Of which cash flow from operating activities of discontinued operations	**-**	**(27)**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(75)	(82)
Change in fixed asset payables	(30)	27
Acquisitions of operations, net of cash acquired	(9)	(246)
Increase in long-term loans	(7)	(6)
Total expenditures	**(121)**	**(307)**
Proceeds from sale of intangible assets and property, plant and equipment	2	4
Change in fixed asset receivables	-	-
Proceeds from sale of operations, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	9	3
Total divestitures	**11**	**7**
Cash flow from investing activities	**(110)**	**(300)**
Of which cash flow from investing activities from discontinued operations	**-**	**(20)**
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	2	-
Purchase of treasury shares	-	-
Dividends paid to parent company shareholders	-	-
Dividends paid to minority shareholders	-	(1)
Increase/ decrease in long-term debt	(5)	6
Increase/ decrease in short-term borrowings and bank overdrafts	56	185
Cash flow from financing activities	**53**	**190**
Net increase/(decrease) in cash and cash equivalents	(53)	(37)
Effect of exchange rates and changes in scope	-	-
Cash and cash equivalents at beginning of period	360	254
Cash and cash equivalents at end of period	**307**	**217**
Of which cash and cash equivalents of discontinued operations	**-**	**2**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(non audited)

(In millions of euros)	Shares issued					Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	**Amount**	**Paid-in surplus**	**Retained earnings**	**Translation adjustments**	**Number**	**Amount**			
At January 1, 2013	**62 877 215**	**629**	**977**	**610**	**82**	**(314 034)**	**(16)**	**2 282**	**29**	**2 311**
Cash dividend	-	-	-	-	-	-	-	-		
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	-	-	-	-	-	-	-	-	2	2
Transactions with shareholders	**-**	**-**	**-**	**2**	**-**	**-**	**-**	**2**	**2**	**4**
Net income	-	-	-	(30)	-	-	-	(30)		(30)
Total income and expense recognized directly through equity	-	-	-	(3)	37	-	-	34	1	35
Comprehensive income	**-**	**-**	**-**	**(33)**	**37**	**-**	**-**	**4**	**1**	**5**
At March 31, 2013	**62 877 215**	**629**	**977**	**579**	**119**	**(314 034)**	**(16)**	**2 288**	**32**	**2 320**

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	1st quarter 2013 High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	448	539	562	14	**1 563**
Inter segment sales	3	26	21	-	
Total sales	**451**	**565**	**583**	**14**	
EBITDA	**70**	**104**	**77**	**(17)**	**234**
Depreciation and amortization	(26)	(28)	(22)	-	(76)
Recurring operating income	**44**	**76**	**55**	**(17)**	**158**
Other income and expenses	(2)	-	(1)	(124)	(127)
Operating income	**42**	**76**	**54**	**(141)**	**31**
Equity in income of affiliates	-	-	-	2	2
Intangible assets and property, plant and equipment additions	**13**	**36**	**20**	**6**	**75**
Of which recurring capex	12	13	19	6	50

(In millions of euros)	1st quarter 2012 High Performance Materials	Industrial Specialties	Coating Solutions	Corporate	Total
Non-Group sales	534	532	551	6	**1 623**
Inter segment sales	7	32	27	-	
Total sales	**541**	**564**	**578**	**6**	
EBITDA	**102**	**97**	**73**	**(19)**	**253**
Depreciation and amortization	(26)	(27)	(20)	-	(73)
Recurring operating income	**76**	**70**	**53**	**(19)**	**180**
Other income and expenses	-	1	(1)	-	-
Operating income	**76**	**71**	**52**	**(19)**	**180**
Equity in income of affiliates	-	-	-	3	3
Intangible assets and property, plant and equipment additions	**16**	**23**	**28**	**4**	**71**
Of which recurring capex	16	15	24	4	59

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	**End of March 2013**				
	High Performance Materials	**Industrial Specialties**	**Coating Solutions**	**Corporate**	**Total**
Non-Group sales	448	539	562	14	**1 563**
Inter segment sales	3	26	21	-	
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Recurring operating income	**76**	**70**	**53**	**(19)**	**180**
Other income and expenses	-	1	(1)	-	-
Operating income	**76**	**71**	**52**	**(19)**	**180**
Equity in income of affiliates	-	-	-	3	3
Intangible assets and property, plant and equipment additions	**16**	**23**	**28**	**4**	**71**
Of which recurring capex	16	15	24	4	59