ARKEMA
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Press release

Communiqué de presse

Paris, March 5th, 2009

ARKEMA : 2008 FULL YEAR RESULTS

SOLID 2008 RESULTS DESPITE A SIGNIFICANT DETERIORATION OF THE ECONOMIC ENVIRONMENT IN THE 4TH QUARTER

- **EBITDA margin at 8.8%, close to that of 2007**
- **Unprecedented collapse in demand in the 4th quarter 2008**
- **Rapid adaptation to the new economic environment**
- **Net income, group share totalled €100 million (€122 million in 2007)**
- **Low net debt at € 495 million, at 1 x EBITDA**
- **Proposed dividend of €0.60 per share in line with results**

(millions of Euros)	**2008**	**2007**	**Variation**
Sales	**5,633**	**5,675**	**(0.7)%**
EBITDA	**498**	**518**	**(3.9)%**
EBITDA margin	***8.8%***	***9.1%***	**-**
Vinyl Products	*1.0%*	*6.3%*	
Industrial Chemicals	*13.2%*	*11.4%*	
Performance Products	*11.0%*	*10.7%*	
Recurring operating income	**250**	**293**	**(14.7)%**
Non-recurring items	(53)	(72)	n.m.
Adjusted net income	**146**	**186**	**(21.5)%**
Net income - Group share	**100**	**122**	**(18.0)%**

The Board of Directors of Arkema which met on March, 4th 2009, to close the consolidated accounts of Arkema for 2008. At the end of this meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated :

"In this tough environment marked by the collapse in demand on many markets in the fourth quarter 2008, Arkema resisted well, achieving an EBITDA margin close to that in 2007 at 9% and generating a positive net income of €100 million. Our financial structure remains very healthy with a net debt representing one times the annual EBITDA."

"In the face of the strong degradation of the environment, immediate measures were taken to adapt production to the decrease in demand and cash management was further reinforced. In this circumstance, the teams of Arkema mobilized themselves very quickly and took the necessary actions to adapt to the situation."

"Market conditions have not showed any signs of improvement since the beginning of this year and visibility remains low for the rest of 2009. In this context, Arkema's first priority is to focus on cash generation and preservation of its balance sheet by a very strict management of its working capital and capital expenditures."

"Confident in having the assets to face the current economic crisis, Arkema is pursuing the transformation launched since its listing, by continuously reducing its break even point and by driving targeted growth in strong added-value product lines, through innovation."

2008 PERFORMANCE

In 2008, **sales** totalled €5,633 million against €5,675 million in 2007 down by 0.7%. Excluding the conversion effect mainly related to the weakness of the US dollar compared to the euro in 2008 (-2.4%) and the limited effect of changes in the scope of business (-0.5%), sales increased by 2.2%. The very significant increase in average sales price across all the businesses of the group (+8.1%) compensated for the decrease in volumes (-5.9%) mainly due to the sharp decline in demand on many market segments in the 4th quarter 2008, amplified by massive de-stocking by customers. Thus over the last quarter of the year, the volume effect amounted to -23%, the businesses most particularly affected by the sharp decline in automotive and construction being PVC and its downstream, PMMA and Functional Additives.

EBITDA amounted to €**498** million in 2008 against €518 million in 2007, in a very deteriorated economic environment. This includes -€23 million negative inventory adjustments in the 4th quarter relating to the sharp decrease of some raw material costs at the very end of the year, and -€17 million relating to conversion effect on foreign exchange rates. An EBITDA gain of €111 million was generated by productivity initiatives, a very tight control of overheads, the launch of new products and the industrial growth developments in Fluorochemicals, Thiochemicals and Speciality Chemicals, which compensated, to a great extent, for the unfavourable impact of the decline in demand, the strong increase in energy and raw material costs and low acrylics unit margins. In the 4th quarter 2008, Arkema adapted to an unprecedented collapse in demand by adjusting its production accordingly, limiting its overheads and accelerating the implementation of its fixed cost saving program.

EBITDA margin showed good resistance, standing at 8.8% of sales against 9.1% in 2007 and 7.3% in 2006.

Recurring operating income was €**250** million in 2008 against €293 million in 2007 and includes €248 million depreciations, up €23 million compared to 2007.

Including other income and expenses for a total amount of -€53 million, **operating income** totalled €**197** million in 2008 against €221 million in 2007. In 2008, other income and expenses corresponded mainly to €59 million of expenses relating to the restructuring plans announced in 2008, especially in Vinyl Products, and to the creation of shared services centers for Human Resources, Accounting and Purchasing functions[1].

Financial result totalled **-€35** million in 2008 against -€15 million in 2007 taking into account the group average net debt in 2007 and 2008 (divestment of Cerexagri in February 2007, acquisition of Coatex in October 2007 and cash outflows related to non-recurring pre-spin off items) and therefore the increased cost of debt.

Income taxes amounted to **-€69** million in 2008 and to a taxation rate compared to recurring operating income of 27.6%.

Consequently, **net income** (group share) stood at €**100** million in 2008 against €122 million in 2007.

During the last quarter of the year, Arkema reinforced its priority on cash generation. Thus, the amount of recurring **capital expenditure** of €301 million is lower than the €315 million initially targeted in 2008. Total capital expenditure of €335 million also takes into account the finalization of the Chlorochemicals plan launched in 2005 (non-recurring pre spin off items) and the acquisitions of assets.

Arkema also continued to manage strictly its **working capital** which totalled €1,055 million at December 31, 2008. The variation in working capital is positive at +€56 million. The ratio of working capital to sales is 18.7% against 19.3% in 2007, in line with the objective of 18% in 2010.

During the financial year, Arkema generated a **net cash flow** from operations and investments of -€11 million, against -€94 million in 2007. This includes a net amount of -€25 million from portfolio management and -€54 million of non-recurring pre-spin off items[2]. Excluding these two items, free cash flow[3] is positive and amounts to €68 million.

Net debt stood at €495 million at 31 December, 2008, against €459 million in 2007, representing a ratio of net debt to EBITDA equal to 1. In particular, it includes the first dividend payment of Arkema for 2007 for a total amount of €46 million and the share buyback for €25 million. The net debt to equity ratio is low at 25%. Consequently, Arkema has shown its capacity to preserve the quality and the solidity of its balance sheet in spite of the degradation of economic conditions.

2008 SEGMENT PERFORMANCE

Sales of **Vinyl Products** increased by 1.8% to €1,443 million in 2008 against €1,418 million in 2007. The rise in average sales price and good demand for caustic soda compensated for the decrease in PVC volumes resulting from the deterioration in the 4th quarter in demand from construction amplified by massive customer de-stocking.
EBITDA totalled €14 million in 2008 against €90 million in 2007. The very significant and continuous rise in ethylene, which culminated in the 3rd quarter 2008, heavily weighed on the segment's results, and the rise in average sales price did not compensate for very high raw material costs. Moreover, the decrease in volumes and sales price in PVC in the 4th quarter, strongly affected the segment's results. Measures to reduce fixed costs and optimize variable costs were pursued and they partially compensated for the very negative impact of the economic environment.

[1] These projects are subject to information / consultation with the work council.
[2] The non-recurring pre-spin off items correspond to items taken into account for the calculation of the theoretical financial debt at the time of the spin off.
[3] Free cash flow includes cash flow from operating and investing activities but excludes non-recurring pre-spin off items and the impact of portfolio management.

New reorganization projects were announced at the end of the year at Jarrie and Saint-Auban sites in France and in the two downstream PVC activities in France and Europe. The implementation should begin in 2009 and should eventually result in the loss of over 350 positions[4].

Sales of **Industrial Chemicals** amounted to €2,582 million in 2008, up 2.1% compared to 2007. The rise in average sales price in all business units within the segment together with the positive effect of the change in scope of business mainly due to the acquisition of Coatex in October 2007, both compensated for the impact on volumes from the sharp decline in demand in several sectors such as automotive and the negative impact of the dollar US vs euro exchange rate.
EBITDA increased by 18% in 2008 compared to 2007, at €341 million (against €289 million in 2007) in an environment which was characterized by bottom of cycle unit margins in acrylics and by the slowdown in automotive which strongly affected volumes of PMMA in the 4th quarter. This very strong improvement demonstrates the quality of the segment's portfolio of business. The restructuring plans launched since three years, together with the development of new products bear their fruit and contributed significantly to the EBITDA. The start-up of the new HFC-32 production unit in Calvert-City (United States) in mid-2007 helped the Fluorochemicals business unit to actively take part in the development of new generation blends, while the increase of production capacity in Thiochemicals benefited from market expansion. Lastly, the successful integration of Coatex reinforced acrylics business and reduced its cyclicality.
EBITDA margin improved very clearly at 13.2% in 2008 against 11.4% in 2007 and 10.7% in 2006.

Sales of **Performance Products** stood at €1,602 million in 2008 against €1,723 million in 2007. This decrease resulted mainly from the negative effect of change in scope of business with the divestment of urea formaldehyde resins in November 2007, the unfavourable US dollar vs euro exchange rate and the decline in demand in particular in US construction, which strongly weighed on volumes of Functional Additives.
EBITDA amounted to €177 million in 2008 against €184 million in 2007, representing a progression of 2.9% excluding change in scope of business. The development of new applications such as PVDF on the photovoltaic market or in molecular sieves and the restructuring plans in Functional Additives and polyamides contributed to improve EBITDA despite the impact of the US dollar vs euro exchange rate and the collapse in demand over the last quarter in several market segments. In addition, at the end of 2008 Arkema acquired Oxford Performance Materials which now reinforces its position in very high performance materials.
EBITDA margin improved at 11% in 2008 against 10.7% in 2007 and 8.7% in 2006.

POST BALANCE SHEET EVENTS

Since the beginning of the year, Arkema has continued focusing its business portfolio. Arkema has thus reinforced its position in filtration business for the agro-food markets through the acquisition by subsidiary CECA of Winkelmann Mineraria which has annual sales of about €6 million.

Arkema also announced the divestment of its vinyl compounds production based in Vanzaghello (Italy) with annual sales of around €22 million. Lastly, in February 2009, Arkema finalized the acquisition of the organic peroxides business of Geo Specialty Chemicals.

In addition, Arkema announced the signature with Dyneon, one of the world leaders of fluoropolymers, for a long term agreement in the supply of HCFC-22 in Europe.

[4] These projects are subject to information / consultation with the work council.

OUTLOOK

Since the beginning of 2009, Arkema has not perceived any signs of improvement in demand. Market conditions remain very difficult with further de-stocking by customers. Results of the 1st quarter will be affected by the sale of inventories produced at the end of 2008 with high raw material costs, whose impact should be of the same order as that in the 4th quarter 2008. The current world economic crisis is also characterized by a lack of visibility both in its length and its impact.

In this context, actions were quickly implemented as of the end of last year to face the economic situation. The work already undertaken to reinforce its competitiveness and the quality of its balance sheet constitute solid assets.

The first priority of Arkema in 2009 is to manage its cash flow very rigorously. The reduction in its working capital should generate between €100 and 150 million of additional cash. Capital expenditure should not exceed €270 million, representing a decrease of almost 20% compared to 2008. Lastly, Arkema will continue to implement its productivity and selective growth projects. These structural projects should generate EBITDA gains of at least €85 million over the year.

With these initiatives, Arkema is confident in its capacity to generate positive free cash flow[5] in 2009.

The 2008 results are detailed in the "2008 full year results" presentation available on the website: www.finance.arkema.com.

CORPORATE GOVERNANCE AND COMPENSATION

In accordance with the recommendations of the AFEP and the MEDEF of October 6, 2008, the Board of Directors has defined the principles to determine the compensation and other benefits of the Chairman and CEO and the fixed compensation for 2009. The details of these provisions are published on the company website www.finance.arkema.com.

[5] Free cash flow includes cash flow from operating and investing activities but excludes the impact of portfolio management

FINANCIAL CALENDAR

May 13th 2009	1st quarter 2009 results
June 15th 2009	Annual General Meeting of Shareholders
August 3rd 2009	2nd quarter 2009 results

A global chemical player, Arkema consists of 3 business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries with 15,000 employees, Arkema achieves sales of 5.6 billion euros. With its 6 research centers in France, the United States and Japan, and 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 December 31, 2008 closed by the Board of Directors of Arkema on March 4th 2009. The consolidated financial statements at December 31,2008 were prepared in accordance with international accounting standards as published by IASB (International Accounting Standards Board) at December 31, 2008 and also as endorsed by the European Union at December 31, 2008.

Financial information related to 2007 and 2008 is extracted from the consolidated financial statements of Arkema reprocessed, when needed, to include the impacts of discontinued activities. Quarterly financial information is not audited. Quarterly financial information is not audited. Business segment information is presented in accordance with Arkema's internal reporting system used by the management.

INVESTOR AND ANALYST FACTSHEET

	4Q'08 in €m	4Q'07 in €m	*4Q'08/ 4Q'07*	2008 in €m	2007 in €m	*2008/ 2007*
Sales	**1,182**	**1,318**	***(10.3)%***	**5,633**	**5,675**	***(0.7)%***
Vinyl Products	281	333	*(15.6)%*	1,443	1,418	*+1.8%*
Industrial Chemicals	564	618	*(8.7)%*	2,582	2,529	*+2.1%*
Performance Products	335	366	*(8.5)%*	1,602	1,723	*(7.0)%*
Corporate	2	1		6	5	
EBITDA	**47**	**107**	***(56.1)%***	**498**	**518**	***(3.9)%***
Vinyl Products	(24)	11	*n.a.*	14	90	*(84.4)%*
Industrial Chemicals	65	67	*(3.0)%*	341	289	*+18.0%*
Performance Products	14	36	*(61.1)%*	177	184	*(3.8)%*
Corporate	(8)	(7)		(34)	(45)	
EBITDA margin	**4.0%**	**8.1%**		**8.8%**	**9.1%**	
Vinyl Products	(8.5)%	3.3%		1.0%	6.3%	
Industrial Chemicals	11.5%	10.8%		13.2%	11.4%	
Performance Products	4.2%	9.8%		11.0%	10.7%	
Depreciation and amortization	(66)	(66)	-	(248)	(225)	*+10%*
Recurring EBIT	**(19)**	**41**	***n.a.***	**250**	**293**	***(14.7)%***
Vinyl Products	(35)	4	*n.a.*	(25)	65	*n.a*
Industrial Chemicals	33	31	*+6.4%*	218	178	*+22.5%*
Performance Products	(8)	13	*n.a.*	92	97	*(5.2)%*
Corporate	(9)	(7)		(35)	(47)	
NR items	**(35)**	**16**		**(53)**	**(72)**	
Equity in income of affiliates	2	2		8	5	
Financial results	(9)	(3)		(35)	(15)	
Income taxes	(11)	(38)		(69)	(104)	
Net income of continuing operations	(72)	18	*n.a.*	101	107	*(5.6)%*
Net income of discontinued operations	0	0		0	17	
Net income – Group share	**(72)**	**18**	***n.a.***	**100**	**122**	**(18.0)%**
EPS (diluted)	**(1.19)**	**0.30**		**1.65**	**2.01**	**(17.9)%**
Adjusted EPS (diluted)	**(0.68)**	**0.33**		**2.41**	**3.06**	*(21.2)%*
Adjusted net income	(41)	20	*n.a*	146	186	*(21.5)%*
Capital expenditures	**146**	**143**	***+2%***	**335**	**325**	***+3%***
Vinyl Products	42	49		98	111	
Industrial Chemicals	60	64		146	124	
Performance Products	41	26		86	83	
Net cash flow[6]				**(11)**	**(94)**	***n.a.***
Working capital (12/31)				1,055	1,095	
WC as % of sales[7]				**18.7%**	**19.3%**	
Net debt (12/31)				**495**	**459**	
NR pre-spin off items				55	122	
Gearing[8]				**27%**	**30%**	

[6] Calculated as cash flow from operating activities plus cash flow from investing activities
[7] Calculated as working capital end of period divided by sales figure
[8] Calculated as Net financial debt + NR pre-spin off items divided by shareholders' equity

2008 FULL YEAR PERFORMANCE

A CHALLENGING ECONOMIC ENVIRONMENT IN 2008

In first 9 months 2008
- Solid demand
- Historically high raw material and energy costs
- Unfavorable US dollar versus euro exchange rate

In 4th quarter 2008
- Unprecedented decline in demand
- Customer de-stocking across supply chains
- Resilience of several product lines
(Fluorochemicals, Thiochemicals, Specialty Chemicals)

SALES AT €5,633 M VS. €5,675 M IN 2007

- Significant price increases in each BU to compensate for high raw material and energy costs
- Volumes affected by collapse of demand in many end markets in 4Q'08 magnified by massive inventory de-stocking at customers.
- Negative translation effect from FX-rate.
- Impact of the change in the scope of business:
  - acquisitions of Coatex, Repsol's PMMA and Odor-Tech
  - divestments of Urea Formaldehyde Resins and water treatment business

	Volume	Price	Scope	FX rate
Arkema	**(5.9)%**	**+8.1%**	**(0.5)%**	**(2.4)%**
Vinyl Products	--	++	+	-
Industrial Chemicals	---	+++	+	--
Performance Products	---	+++	---	-

Legend : "=" : +/- 0.5% "+" : [+0.5% - +2.5%] "++" : [+2.5% - +5%] "+++" : >+5%
"-" : [(0.5)% - (2.5)%] "--" : [(2.5)% - (5)%] "---" : <(5)%

EBITDA AT €498 M VS. €518 M IN 2007 AND EBITDA MARGIN AT 8.8% CLOSE TO 2007 LEVEL

EBITDA bridge	***2008***
Structural projects	**+111**
Productivity	*+60*
Fixed cost savings	+107
Volume loss (restructuring)	(7)
Inflation on fixed costs	(40)
New products & geographical expansion & M&A	*+51*
Other impacts: environment, FX rate, inventory write-downs …	**(131)**

- Price increases to compensate for higher raw material and energy costs in Industrial Chemicals and Performance Products
- Significant margin squeeze in Vinyl Products
- Negative translation effect mainly from €/$ exchange rate: €(17) million
- In 4Q'08, quick response to demand collapse:
  - Adjusting production to demand level
  - Reinforcing cost control of any expenses
  - Announcing further productivity initiatives
- -€23 million inventory write-downs booked in 4Q'08 related to the sharp decrease of some raw material costs at the end of 2008

VINYL PRODUCTS

- Good demand and prices in caustic soda
- Benefits from restructuring initiatives
- Strong focus on manufacturing efficiency
- Significant margin squeeze resulting in PVC due to historically high increase of ethylene cost
- In 4Q'08, the sharp contraction of demand was combined with PVC price decline
- Launch of new restructuring initiatives resulting in the loss of over 350 positions.

INDUSTRIAL CHEMICALS

- EBITDA up 18% and EBITDA margin at 13.2% vs. 11.4% in 2007
- Significant price increases in each business unit to compensate for higher raw material costs
- Sharp decline of volumes in 4Q'08 in several sectors
- Negative FX rate impact
- In Acrylics, good resistance despite low cycle conditions throughout 2008.
- In PMMA, volumes affected by sharp decline in automotive market but tight control of fixed costs
- In Fluorochemicals, benefits from restructuring plan at Pierre-Bénite (France) and from the new HFC-32 production unit in Calvert-City (US)
- In Thiochemicals, contribution of restructuring and growth projects at Lacq (France) and benefits from market developments
- In Hydrogen Peroxide, contribution from selective growth projects but contrasted year
- Successful integration of Coatex.

PERFORMANCE PRODUCTS

- EBITDA margin at 11% compared to 10.7% in 2007
- Negative impact of the divestment of the urea formaldehyde resin business: EBITDA up 2.9% at the same scope of business.
- Significant price increases in each business unit to compensate for higher raw material costs
- Weak US construction all along the year
- Sharp decline of volumes in 4Q'08 in several sectors
- In Technical Polymers, benefits from new specialty applications in PVDF and polyamides and from restructurings in Polyamides.
- In Specialty Chemicals, contribution from new applications in molecular sieves and portfolio management
- In Functional Additives, results affected by weak demand in US construction and high tin prices but benefits from restructurings.
- Acquisition of Oxford Performance Materials to consolidate R&D portfolio of very high performance polymers

NON RECURRING ITEMS AT €(53) M VS. €(72) M IN 2007

Include €(59)m restructuring charges mainly in Vinyl Products for €(42)m and Corporate for €(13)m

INCOME TAXES AND DEFERRED TAXES

- Income taxes amounted to 27.6% of recurring operating income.
- End of 2007, non recognized deferred tax assets and tax losses amounted to €367m

CASH FLOWS AND NET DEBT

Items	***2008***	***2007***	***Comments on 2008***
Operating cash flow	331	319	
Investing cash flow	(342)	(413)	
Net cash flow	**(11)**	**(94)**	**Cash flows from operating and investing activities**
NR pre spin off	(54)	(87)	Including €19m for chlorochemicals capex
Impact from M&A	(25)	(135)	Mainly acquisition of Repsol's PMMA and OdorTech
Free cash flow	**68**	**128**	Excluding M&A and NR pre-spin off items
NR items	(56)	(73)	Mainly restructuring charges
Recurring FCF	**+124**	**+201**	Recurring FCF excludes NR items, M&A
Recurring capex	(301)	(281)	Lower than the €315m recurring capex initially targeted
Variation in WC	+56	+47	18.7% of sales in 2008 compared to 19.3% in 2007

- Low level of net debt at 1x EBITDA and 25% of shareholders' equity
- Include:
  - Payment of Arkema's first dividend of €46 million
  - Impact of the share capital increase reserved for employees subscribed for a total amount of €19 million
  - Buyback of 799,274 shares for €25 million

Net debt *(in €m)*	***12/31/08***	***12/31/07***
Net debt	495	459
Remaining pre-spin off NR items	55	122
Of which provisions booked end 2005	*79*	*115*
Of which cash deposit (European	*(24)*	*(18)*
Of which Vinyl restructuring plan	*0*	*25*
Equivalent net debt *(12/31/07)*	**550**	**581**
Gearing	*27%*	*30%*

PROVISIONS

- Net provisions excluding provisions covered by LT assets amounted to €701m end 2008.

Provision analysis *(in €m) at 12/31/2008*	**Provision**	**LT asset covering provision**	**Net Provision**
Provisions covered by warranties	**97**	**97**	**0**
Environment	63	63	0
Litigations covered by warranties or cash deposit	34	34	0
Debt-like provisions	**345**	**3**	**342**
Pensions*	236	3*	233
Restructuring	109		109
Provisions booked through EBITDA	**359**		**359**
Provisions for liabilities towards employees	105		105
Environment	143		143
Others	111		111
Total provisions	**801**	**100**	**701**

* Pension assets (€3 million at 12/31/08 and €15 million at 12/31/2007)

4TH QUARTER 2008 PERFORMANCE

SALES AT €1,182 M VS. €1,318 M IN 4Q'07

- Sharp decrease in demand in several sectors and unprecedented inventory de-stocking across supply chains
- Impact of the change in the scope of business:
  - acquisitions of Repsol's PMMA and Odor-Tech
  - divestments of Urea Formaldehyde Resins and water treatment business

	Volume	Price	Scope	FX rate
Arkema	**(23.0)%**	**+8.8%**	**+1.3%**	**+2.7%**
Vinyl Products	---	+++	+	=
Industrial Chemicals	---	+++	=	++
Performance Products	---	+++	++[9]	++

Legend : "=" : +/- 0.5% "+" : [+0.5% - +2.5%] "++" : [+2.5% - +5%] "+++" : >+5%
"-" : [(0.5)% - (2.5)%] "--" : [(2.5)% - (5)%] "---" : <(5)%

EBITDA AT €47M VS. €107M IN 2007

- Unprecedented demand decrease magnified by customer de-stocking since end of November
- Quick response to demand collapse
  - Adaptation of production to demand level
  - Reduction of inventory
  - Reinforce cost control of any expenses
  - Further productivity initiatives announced
- Resilience of several product lines: Fluorochemicals, Thiochemicals, Specialty Chemicals
- Positive impact from conversion effect mainly related to a more favourable US$/€ exchange rate
- -€23 million inventory write-downs related to the sharp decrease of some raw material costs at the end of 2008

VINYL PRODUCTS

- Sharp contraction of demand combined with PVC price decline despite still very high ethylene prices
- Good demand in caustic soda
- Benefits from restructuring initiatives in particular in PVC downstream

INDUSTRIAL CHEMICALS

- EBITDA margin at 11.5% vs. 10.8% in 4Q'07 demonstrating quality of portfolio
- Good resistance of results especially in Fluorochemicals and Thiochemicals
- Price increases in each business unit
- Volumes affected by strong deterioration of demand in several end markets especially automotive
- Benefits from restructuring plans in Fluorochemicals, Thiochemicals and Acrylics
- Positive translation effect mainly due to US dollar vs. euro exchange rate

[9] In 4Q'07, Performance Products sales impacted by €29million sales decrease coming from changes to consolidation method of certain subsidiaries.

Performance Products

- Price increases in each business unit
- Collapse of demand in several sectors impacted mainly Functional Additives and Technical Polymers
- Good resistance of Specialty Chemicals
- Benefits from restructuring initiatives in Functional Additives
- Positive translation effect mainly due to US dollar vs. euro exchange rate

Highlights in 4Q'08:

- Shutdowns[10] announced of two structurally loss-making businesses: aluminium chloride at Jarrie (France) and copolymers at Saint-Auban (France), resulting in the loss of 169 positions.
- Reorganization in Pipes & Profiles
  - Divestment of the Sanitary and Heating Pipes business with sales of around €25 million
  - Closure[10] announced of Hasparren site (France) manufacturing profiles resulting in the net loss of 25 positions
- Start-up of the doubling of the hydrogen peroxide production capacity to 80,000 tonnes/year in Shanghai (China) increasing Arkema's global hydrogen peroxide production capacity to approximately 400,000 tonnes/year.
- Acquisition of the organic peroxides business of Geo Specialty Chemicals with annual sales of approximately $30 million.
- Centralization of all purchasing functions for the various industrial sites in France resulting in the net loss of 17 positions and in annual savings of € 35 million, which will be gradually achieved over the next three years.
- Divestment by CECA (Specialty Chemicals) of its quaternary esters and phosphoric esters with annual sales of approximately €8million, as part of the refocus of its surfactant business.
- Acquisition of Oxford Performance Materials, which reinforces Arkema's portfolio of very high performance materials.

Highlights since January 1st:

- Acquisition by CECA (Speciatly Chemicals BU) of the Italian company Winkelmann Mineraria, with annual sales of around €6 million, to further expand in filtration business for the agro-food markets.
- Announced divestment of the vinyl compounds production activities based in Vanzaghello (Italy) generating annual sales of around €22 million.
- Signature of a long-term agreement with Dyneon, a world leader in fluoropolymers, to supply HCFC-22 in Europe.

[10] These projects are subject to the information/consultation of the work council.

ARKEMA Financial Statements

Consolidated financial statements - At the end of December 2008

INCOME STATEMENT

(In millions of euros)	4th Quarter 2008 Consolidated	End of December 2008 Consolidated (audited)	4th Quarter 2007 Consolidated	End of December 2007 Consolidated (audited)
Sales	**1 182**	**5 633**	**1 318**	**5 675**
Operating expenses	(1 068)	(4 840)	(1 139)	(4 827)
Research and development expenses	(32)	(150)	(44)	(158)
Selling and administrative expenses	(101)	(393)	(94)	(397)
Recurring operating income	**(19)**	**250**	**41**	**293**
Other income and expenses	(35)	(53)	16	(72)
Operating income	**(54)**	**197**	**57**	**221**
Equity in income of affiliates	2	8	2	5
Financial result	(9)	(35)	(3)	(15)
Income taxes	(11)	(69)	(38)	(104)
Net income of continuing operations	**(72)**	**101**	**18**	**107**
Net income of discontinued operations	**-**	**-**	**-**	**17**
Net income	**(72)**	**101**	**18**	**124**
Of which minority interests	-	1	-	2
Net income - Group share	**(72)**	**100**	**18**	**122**
Earnings per share (amount in euros)	*(1,19)*	*1,65*	*0,30*	*2,02*
Diluted earnings per share (amount in euros)	*(1,19)*	*1,65*	*0,30*	*2,01*
Depreciation and amortization	(66)	(248)	(66)	(225)
Recurring EBITDA	**47**	**498**	**107**	**518**
Adjusted net income	**(41)**	**146**	**20**	**186**
Adjusted net income per share (amount in euros)	*(0,68)*	*2,41*	*0,33*	*3,08*
Diluted adjusted net income per share (amount in euros)	*(0,68)*	*2,41*	*0,33*	*3,06*

BALANCE SHEET

(In millions of euros)	31.12.2008 (audited)	31.12.2007 (audited)
ASSETS		
Intangible assets, net	466	460
Property, plant and equipment, net	1 638	1 525
Equity affiliates: investments and loans	53	42
Other investments	22	24
Deferred income tax assets	25	18
Other non-current assets	137	127
TOTAL NON-CURRENT ASSETS	**2 341**	**2 196**
Inventories	1 026	1 017
Accounts receivable	838	1 000
Other receivables and prepaid expenses	149	160
Income taxes recoverable	22	14
Other current assets	30	1
Cash and cash equivalents	67	58
Total assets of discontinued operations	-	-
TOTAL CURRENT ASSETS	**2 132**	**2 250**
TOTAL ASSETS	**4 473**	**4 446**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	605	605
Paid-in surplus and retained earnings	1 476	1 446
Treasury shares	(1)	-
Cumulative translation adjustment	(84)	(140)
SHAREHOLDERS' EQUITY - GROUP SHARE	**1 996**	**1 911**
Minority interests	**22**	**21**
TOTAL SHAREHOLDERS' EQUITY	**2 018**	**1 932**
Deferred income tax liabilities	47	54
Provisions and other non current liabilities	835	846
Non-current debt	69	61
TOTAL NON-CURRENT LIABILITIES	**951**	**961**
Accounts payable	690	786
Other creditors and accrued liabilities	259	290
Income taxes payable	17	15
Other current liabilities	45	6
Current debt	493	456
Total liabilities of discountinued operations	-	-
TOTAL CURRENT LIABILITIES	**1 504**	**1 553**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4 473**	**4 446**

CASH FLOW STATEMENT

(In millions of euros)	End of Dec 2008 (audited)	End of Dec 2007 (audited)
Cash flow - operating activities		
Net income	101	124
Depreciation, amortization and impairment of assets	268	246
Provisions, valuation allowances and deferred taxes	(56)	(2)
(Gains)/losses on sales of assets	(38)	(96)
Undistributed affiliate equity earnings	(8)	(5)
Change in working capital	56	47
Other changes	8	5
Cash flow from operating activities	**331**	**319**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(335)	(325)
Change in fixed asset payables	5	9
Acquisitions of subsidiaries, net of cash acquired	(18)	(294)
Increase in long-term loans	(49)	(24)
Total expenditures	**(397)**	**(634)**
Proceeds from sale of intangible assets and property, plant and equipment	40	88
Change in fixed asset receivables	(14)	-
Proceeds from sale of subsidiaries, net of cash sold	-	105
Proceeds from sale of other investments	2	1
Repayment of long-term loans	27	27
Total divestitures	**55**	**221**
Cash flow from investing activities	**(342)**	**(413)**
Cash flow - financing activities		
Issuance (repayment) of shares	17	5
Purchase of treasury shares	(25)	-
Dividends paid to parent company shareholders	(46)	-
Dividends paid to minority shareholders	-	-
Increase/ Decrease in long-term debt	20	9
Increase/ Decrease in short-term borrowings and bank overdrafts	22	(4)
Cash flow from financing activities	**(12)**	**10**
Net increase/(decrease) in cash and cash equivalents	(23)	(84)
Effect of exchange rates and changes in scope	32	(29)
Cash and cash equivalents at beginning of period	58	171
Cash and cash equivalents of discontinued operations at end of period	-	-
Cash advance granted to discontinued operations	-	-
Cash and cash equivalents at end of period	**67**	**58**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(audited)

(In millions of euros)	Shares issued – Number	Shares issued – Amount	Paid-in surplus	Retained earnings	Cumulative translation adjustment	Treasury shares – Number	Treasury shares – Amount	Shareholders' equity - Group share	Minority interests	Total shareholders' equity
As of January 1, 2008	**60 453 823**	**605**	**1 006**	**440**	**(140)**			**1 911**	**21**	**1 932**
Cash dividend				(46)				(46)		(46)
Issuance of share capital	760 717	7	10	1				18		18
Purchase of treasury shares						(799 274)	(25)	(25)		(25)
Cancellation of purchased treasury shares	(759 567)	(7)	(17)			759567	24			
Sale of treasury shares										
Share-based payments				8				8		8
Other										
Transactions with shareholders	**1 150**		**(7)**	**(37)**		**(39 707)**	**(1)**	**(45)**		**(45)**
Net income				100				100	1	101
Income and expenses recognized directly through equity				(26)	56			30		30
Total of recognized income and expenses				**74**	**56**			**130**	**1**	**131**
As of December 31, 2008	**60 454 973**	**605**	**999**	**477**	**(84)**	**(39 707)**	**(1)**	**1 996**	**22**	**2 018**

RECOGNIZED INCOME AND EXPENSES

(audited)

As of December 31, 2008

En millions of euros	Shareholders' equity - Group share	Minority interests	Total shareholders' equity
Net income	**100**	**1**	**101**
Changes in items recognized directly through equity	7	-	7
Actuarial gains or losses net of taxes	(33)	-	(33)
Change in translation adjustments	56	-	56
Others	-	-	
Total of income and expenses recognized directly through equity	**30**	**-**	**30**
Total of income and expenses recognized	**130**	**1**	**131**

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	4th Quarter 2008				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	281	564	335	2	**1 182**
Inter-segment sales	14	29	3	-	
Total sales	**295**	**593**	**338**	**2**	
Recurring operating income	**(35)**	**33**	**(8)**	**(9)**	**(19)**
Other income and expenses	**(33)**	**4**	**3**	**(9)**	**(35)**
Operating income	**(68)**	**37**	**(5)**	**(18)**	**(54)**
Equity in income of affiliates	1	-	1	-	2
Depreciation and amortization	(11)	(32)	(22)	(1)	(66)
Asset impairment	-	(2)	-	-	(2)
Changes in non-current provisions recognized through income	(30)	12	13	(1)	(6)
Recurring EBITDA	**(24)**	**65**	**14**	**(8)**	**47**
Intangible assets and property, plant and equipment, additions	**42**	**60**	**41**	**3**	**146**
Of which exceptional intangible assets	5	6	-	-	11

(In millions of euros)	4th Quarter 2007				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	333	618	366	1	**1 318**
Inter-segment sales	13	38	5	-	
Total sales	**346**	**656**	**371**	**1**	
Recurring operating income	**4**	**31**	**13**	**(7)**	**41**
Other income and expenses	**(6)**	**8**	**15**	**(1)**	**16**
Operating income	**(2)**	**39**	**28**	**(8)**	**57**
Equity in income of affiliates	1	-	1	-	2
Depreciation and amortization	(8)	(36)	(22)	-	(66)
Asset impairment	-	(2)	-	-	(2)
Changes in non-current provisions recognized through income	3	17	(5)	4	19
Recurring EBITDA	**11**	**67**	**36**	**(7)**	**107**
Intangible assets and property, plant and equipment, additions	**49**	**64**	**26**	**4**	**143**
Of which exceptional intangible assets	22	-	-	-	22

INFORMATION BY BUSINESS SEGMENT

(audited)

(In millions of euros)	End of December 2008				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	1 443	2 582	1 602	6	**5 633**
Inter-segment sales	64	151	16	-	
Total sales	**1 507**	**2 733**	**1 618**	**6**	
Recurring operating income	**(25)**	**218**	**92**	**(35)**	**250**
Other income and expenses	**(36)**	**(9)**	**(2)**	**(6)**	**(53)**
Operating income	**(61)**	**209**	**90**	**(41)**	**197**
Equity in income of affiliates	7	-	1	-	8
Depreciation and amortization	(39)	(123)	(85)	(1)	(248)
Asset impairment	-	(2)	-	-	(2)
Changes in non-current provisions recognized through income	(11)	29	22	13	53
Recurring EBITDA	**14**	**341**	**177**	**(34)**	**498**
Intangible assets and property, plant and equipment, additions	**98**	**146**	**86**	**5**	**335**
Of which exceptional intangible assets	19	15	-	-	34

(In millions of euros)	End of December 2007				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	1 418	2 529	1 723	5	**5 675**
Inter-segment sales	63	158	18	-	
Total sales	**1 481**	**2 687**	**1 741**	**5**	
Recurring operating income	**65**	**178**	**97**	**(47)**	**293**
Other income and expenses	**(12)**	**(43)**	**(8)**	**(9)**	**(72)**
Operating income	**53**	**135**	**89**	**(56)**	**221**
Equity in income of affiliates	4	-	1	-	5
Depreciation and amortization	(26)	(111)	(86)	(2)	(225)
Asset impairment	-	(2)	-	-	(2)
Changes in non-current provisions recognized through income	10	(16)	(8)	41	27
Recurring EBITDA	**90**	**289**	**184**	**(45)**	**518**
Intangible assets and property, plant and equipment, additions	**111**	**124**	**83**	**7**	**325**
Of which exceptional intangible assets	44	-	-	-	44