ARKEMA
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Press release

Communiqué de presse

Paris, May 10th, 2012

ARKEMA: 1ST QUARTER 2012 RESULTS

GOOD START TO THE YEAR
SHOWING A SIGNIFICANT INCREASE VERSUS END 2011

- **Sales up +14% compared to 1st quarter 2011**
- **EBITDA at € 253 million close to historical high of last year**
- **Excellent results in Performance Products**
- **Good performance of Industrial Chemicals**
- **Adjusted net income of €123 million representing 7.6% of sales**

The Board of Directors of Arkema met on May 9th 2012 to review the consolidated accounts of Arkema for 1st quarter 2012. At the end of the meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« First quarter results represent by far the second best performance recorded in a first quarter by our Group. They confirm the recovery of demand following the destocking seen in 2nd half 2011, even though not at the same level as at the beginning of 2011 when particularly favorable market conditions prevailed.

The results of the Performance Products segment, with a 19% EBITDA margin, are a great satisfaction, reflecting the refocusing of this business segment on high added value technological niches such as specialty polyamides and fluorinated polymers.

Industrial Chemicals show a significant improvement compared to the last quarter of last year, albeit below the very high base of the same quarter in 2011, as expected.

Despite the uncertainties of the general macro-economic environment, the fundamentals that drive Arkema's performance are favorable, in particular ongoing growth in emerging countries and as many opportunities as ever in the major trends related to sustainable development, in particular new energies, lighter vehicles, and biosourced materials. »

(In millions of euros)	1st quarter 2012	1st quarter 2011	Variation
Sales	1,623	1,424	+14.0%
EBITDA	**253**	**289**	**-12.5%**
EBITDA margin	*15.6%*	*20.3%*	
Industrial Chemicals	*15.7%*	*24.0%*	
Performance Products	*19.1%*	*15.7%*	
Recurring operating income	180	228	-21.1%
Non-recurring items	-	(3)	-
Adjusted net income	**123**	**170**	**-27.6%**
Net income of discontinued operations	(23)	(16)	-
Net income – Group share	100	151	-33.8%
Diluted adjusted net income per share (€)	1.97	2.74	-28.1%

As a project to divest the Vinyl activities was ongoing at the close of this quarter, the contribution of this business has been presented in accordance with IFRS 5 rules and terms. Income statement items and balance sheet items for this business have been presented on a separate line in the income statement and the balance sheet. However, the cash flow statement includes flows related to these Vinyl activities.

1ST QUARTER 2012 ACTIVITY

Sales in 1st quarter 2012 increased by 14% to €1,623 million. This significant increase mainly reflects the acquisition of specialty resins (Sartomer and Cray Valley), alcoxylates from Seppic, and, to a lesser extent, Chinese companies Hipro Polymers and Casda Biomaterials (+17% scope of business effect). Volumes decreased by 5% compared to 1st quarter 2011 which represented a very high basis of comparison marked by restocking in several product lines as well as exceptional growth in Asia. By contrast, they significantly improved over 4th quarter 2011. Prices remained stable overall compared to 1st quarter 2011 in a context of high raw material costs. The currency translation effect was positive at +2%.

EBITDA reached €253 million, close to the historical performance of 1st quarter 2011 (€289 million) and showing a significant increase compared to 4th quarter 2011 (€158 million). This is by far the Group's second best performance for a 1st quarter. Market conditions improved noticeably compared to the end of last year, even if they cannot be compared to the particularly supportive environment of 1st quarter 2011. Industrial Chemicals reported a solid performance, while Performance Products confirmed the quality of the repositioning of the product portfolio in high added value niches. The sharp rise in raw material costs compared to the end of 2011 was passed on to the sales prices for a good part, and should be passed on fully in 2nd quarter.

Recurring operating income stood at €180 million against €228 million in 1st quarter 2011, after deduction of €73 million depreciation and amortization, €12 million up due primarily to recent acquisitions.

Income taxes amounted to €49 million, i.e. 27% of recurring operating income. This rate reflects the geographic breakdown of the results, and in particular the larger share of North America in the Group's income.

Net income (Group share) from continuing operations stood at €123 million, i.e. 7.6% of the Group's sales.

Net result of discontinued operations stood at -€23 million (see "Vinyl activities" paragraph).

Consequently, **net income (Group share)** stood at €100 million.

SEGMENT PERFORMANCE IN 1ST QUARTER 2012

Industrial Chemicals: GOOD RESULTS WITH A VERY HIGH 2011 BASIS OF COMPARISON

Industrial Chemicals sales grew to €1,083 million, 14% up on 1st quarter 2011. This increase mainly reflects the impact of the acquisition of specialty resins. As expected, volumes were down from the high level of the 1st quarter of last year. Since 1st January, the Group has been actively pursuing its price increase policy in order to offset the rise in raw material costs since the beginning of the year, which should be passed on fully over the 2nd quarter.

EBITDA amounted to €170 million, with a 15.7% margin, reflecting the good performance of the segment businesses in a markedly improved market environment compared to 4th quarter 2011, albeit down on the very high baseline of 1st quarter 2011. Thiochemicals, PMMA and Acrylic Specialties (Coatex, Sartomer) reported a very good performance. Fluorogases posted good results despite normalizing conditions for HFC-125 in Asia. Unit margins for acrylic monomers were at mid-cycle in line with the assumption used for 2012. Finally, market conditions for coating resins have been improving very gradually since the beginning of the year.

Performance Products: CONTINUED STRONG GROWTH

Performance Products sales grew by 13% to €534 million against €472 million in 1st quarter 2011. EBITDA was outstanding at €102 million, 38% up on 1st quarter 2011, with a 19.1% EBITDA margin, the highest historical level for a first quarter.

This excellent performance confirms the success of the segment's repositioning strategy in high added value niches driven by innovation (biosourced polymers, development in oil and gas sector, metal substitution) as well as positions developed in Asia. Technical Polymers benefited from a strong growth momentum in specialty polyamides and fluorinated polymers. The results also include the excellent contribution of the alcoxylate activities acquired from Seppic end December 2011. The impact of the acquisition of Hipro Polymers and Casda Biomaterials in biosourced polyamides, finalized on February 1st, was very limited and will increase in the course of the year.

Vinyl activities concerned by a divestment project

These Vinyl Products activities are concerned by a divestment project to the Klesch group.

The project remains subject to approval by the antitrust authorities. Closing of the operation is expected mid-2012, as planned.

In 1st quarter 2012, EBITDA for the Vinyl activities concerned by the divestment project amounted to € -17 million, and net income to € -23 million. This result includes a € -16 million impact due to strikes relating to the Vinyl activities divestment process.

CASH FLOW AND NET DEBT AT MARCH 31ST 2012

In 1st quarter 2012, **free cash flow** for the continuing activities stood at +€5 million. This flow included a -€74 million variation in working capital related to the strong increase in sales compared to the last quarter 2011. Working capital to sales ratio remained under tight control at 16.4% against 14.7% at end March 2011[1].

Recurring capital expenditure stood at €59 million, in line with the annual objective of €350 million recurring capital expenditure.

After taking account of the impact of acquisitions and divestments, primarily the acquisition of Hipro Polymers and Casda Biomaterials for €185 million, net cash flow for the continuing activities stood at € -180 million. In 2nd quarter, the Group will pay the remaining consideration due to the minority shareholders of Hipro and Casda for an estimated amount of some €65 million.

Net debt stood at €835 million at March 31st 2012 against €603 million at 31st December 2011, i.e. 37% gearing.

HIGHLIGHTS OF 1ST QUARTER 2012

On February 1st 2012, Arkema finalized the acquisition of Chinese companies Hipro Polymers, producer of biosourced specialty polyamides 10.10, and Casda Biomaterials, world leader in sebacic acid, derived from castor oil and used as a raw material for the production of polyamide 10.10. These acquisitions have enabled Arkema to complement its range of biosourced specialty polyamides, boost its presence in Asia, and enhance its positions in green chemistry. These companies reported aggregate sales of US$230 million in 2011.

On February 27th 2012, Arkema announced the establishment of a global partnership with Elevance Renewable Sciences Inc. for the development and production of biosourced specialty polymers. The combination of Elevance's expertise in the synthesis of biosourced intermediates with Arkema's polymer know-how will help develop a new biosourced specialty polymer integrated activity.

POST BALANCE SHEET EVENTS

In April, Arkema successfully completed its third share capital increase operation reserved for employees. 6,150 employees and former employees subscribed for 535,013 shares totalling €29.2 million. The share of Arkema's capital held by its employees now stands at 5.5%. The subscription price was set at €54.51 per share, corresponding to the average opening price of the Arkema share quoted on the Paris stock exchange in the last 20 trading days prior to the date of the Board of Directors meeting of March 7th 2012 which laid down this price, minus a 20% discount.

On April 26th Arkema successfully completed the placing of a €230 million bonds issue. This bond loan, with an April 30th 2020 maturity and a 3.85% per year interest rate, enables Arkema to benefit from the current favorable market conditions. This transaction is consistent with the Group's long-term financing policy by allowing it to diversify its sources of financing and extend their maturity. Arkema is rated BBB- with positive outlook by Standard & Poor's, and Baa3 with positive outlook by Moody's. Moody's revised its outlook upward at end of April, from stable to positive.

Early May, as part of the divestment project of its Vinyl activities, Arkema finalized the information/consultation process of the workers councils. As part of this process, some warranties will be put in place. The Group should book in the 2nd quarter a non-recurring expense of around 25 to 30 million euros in the net income of discontinued operations.

[1] In 1st quarter 2012 (working capital excl. debt to Hipro-Casda minority shareholders) / [(Q1'12 sales + Hipro-Casda quarterly sales estimates) x4].

Arkema has declared force majeure for its polyamide 12 following the accident that occurred late March on Evonik's Marl site in Germany which produces CDT, a raw material used in the manufacture of polyamide 12. Financially, given the insurance coverage subscribed by the Group, the impact should be limited to an exceptional charge recorded under other income and expenses of around €17 million in 2012.

OUTLOOK

Arkema's priorities over the coming months remain the integration of Chinese companies Hipro and Casda, the ongoing construction projects in Asia in Thiochemicals, Fluorochemicals and Coating Resins, and the closing of the Vinyl activities divestment project. Arkema will also continue its sales price increase policy in order to offset the rise in raw material costs recorded since the beginning of the year.

The 2nd quarter will also be particularly busy with major five-yearly maintenance turnarounds, in particular in Bayport (US) for acrylics, Marseille (France) for polyamides, as well as Lacq (France) and Beaumont (US) for thiochemicals.

Finally, the market conditions observed in 1st quarter should continue in 2nd quarter. Accordingly, in 2nd quarter, Arkema should achieve EBITDA above the 1st quarter figure, while remaining below the very high level of 2nd quarter 2011.

Over the full year, while remaining attentive to the macro-economic context, Arkema is confident in its strengths and in its ability to achieve a very strong 2012, and will continue to combine rigorous control of the company with a targeted growth policy.

Beyond this, Arkema aims to achieve €8 billion sales with €1,250 million EBITDA by 2016.

The 1st quarter 2012 results and the outlook are detailed in the "1st quarter 2012 results" presentation available on the website www.finance.arkema.com.

FINANCIAL CALENDAR

May 23rd 2012	Shareholders' Annual General Meeting
August 1st 2012	2nd quarter 2012 results
September 18th 2012	Investor Day

*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 13,200 employees and 9 research centers, Arkema generates annual revenue of approximately €5.9 billion*, and holds leadership positions in all its markets with a portfolio of internationally recognized brands. **The world is our inspiration**.*
**Sales and headcount for continuing activities at end 2011, excluding Vinyl Products activities, which are part of a divestment plan.*

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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 March 31st 2012 reviewed by the Board of Directors of Arkema S.A. on May 9th 2012.

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 March 2012

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	**End of March 2012** *(non audited)*	**End of March 2011** *(non audited)*
Sales	**1 623**	**1 424**
Operating expenses	(1 297)	(1 074)
Research and development expenses	(38)	(34)
Selling and administrative expenses	(108)	(88)
Recurring operating income	**180**	**228**
Other income and expenses	-	(3)
Operating income	**180**	**225**
Equity in income of affiliates	3	6
Financial result	(11)	(8)
Income taxes	(49)	(55)
Net income of continuing operations	**123**	**168**
Net income of discontinued operations	**(23)**	**(16)**
Net income	**100**	**152**
Of which non-controlling interests	-	1
Net income - Group share	**100**	**151**
Of which continuing operations	**123**	**167**
Of which discontinued operations	**(23)**	**(16)**
Earnings per share (amount in euros)	*1,62*	*2,46*
Earnings per share of continuing operations (amount in euros)	*1,99*	*2,72*
Diluted earnings per share (amount in euros)	*1,60*	*2,43*
Diluted earnings per share of continuing operations (amount in euros)	*1,97*	*2,69*
Depreciation and amortization	(73)	(61)
EBITDA	**253**	**289**
Adjusted net income	**103**	**156**
Adjusted net income of continuing operations	**123**	**170**
Adjusted net income per share of continuing operations (amount in euros)	*1,99*	*2,77*
Diluted adjusted net income per share of continuing operations (amount in euros)	*1,97*	*2,74*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	**End of March 2012** *(non audited)*	**End of March 2011** *(non audited)*
Net income	**100**	**152**
Hedging adjustments	(7)	10
Deffered taxes on hedging adjustments	-	1
Actuarial gains and losses	-	-
Deffered taxes on actuarial gains and losses	-	-
Other items	-	-
Deffered taxes on other items	-	-
Change in translation adjustments	(39)	(57)
Other comprehensive income of continuing operations	**(46)**	**(46)**
Other comprehensive income of discontinued operations	**(6)**	**(1)**
Total income and expenses recognized directly in equity	**(52)**	**(47)**
Comprehensive income	**48**	**105**
Of which: non-controlling interest	(1)	-
Comprehensive income - Group share	**49**	**105**

CONSOLIDATED BALANCE SHEET

(In millions of euros)	31 March 2012 (non audited)	31 December 2011 (audited)
ASSETS		
Intangible assets, net	944	777
Property, plant and equipment, net	1 735	1 706
Equity affiliates : investments and loans	66	66
Other investments	35	35
Deferred tax assets	59	66
Other non-current assets	110	109
TOTAL NON-CURRENT ASSETS	**2 949**	**2 759**
Inventories	1 005	945
Accounts receivable	1 003	834
Other receivables and prepaid expenses	114	117
Income taxes recoverable	34	36
Other current financial assets	3	9
Cash and cash equivalents	215	252
TOTAL CURRENT ASSETS	**2 374**	**2 193**
Assets held for sale	393	380
TOTAL ASSETS	**5 716**	**5 332**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	619	619
Paid-in surplus and retained earnings	1 574	1 484
Treasury shares	(10)	(10)
Translation adjustments	58	97
SHAREHOLDERS' EQUITY - GROUP SHARE	**2 241**	**2 190**
Non-controlling interests	25	27
TOTAL SHAREHOLDERS' EQUITY	**2 266**	**2 217**
Deferred tax liabilities	34	35
Provisions and other non-current liabilities	767	791
Non-current debt	583	583
TOTAL NON-CURRENT LIABILITIES	**1 384**	**1 409**
Accounts payable	807	665
Other creditors and accrued liabilities	270	265
Income taxes payable	71	39
Other current financial liabilities	3	12
Current debt	467	272
TOTAL CURRENT LIABILITIES	**1 618**	**1 253**
Liabilities associated with assets held for sale	448	453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5 716**	**5 332**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	**End of March 2012** *(non audited)*	**End of March 2011** *(non audited)*
Cash flow - operating activities		
Net income	100	152
Depreciation, amortization and impairment of assets	85	71
Provisions, valuation allowances and deferred taxes	(28)	-
(Gains)/losses on sales of assets	(3)	(1)
Undistributed affiliate equity earnings	(3)	(6)
Change in working capital	(79)	(225)
Other changes	1	2
Cash flow from operating activities	**73**	**(7)**
Of which cash flow from operating activities of discontinued operations	**(27)**	**(57)**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(82)	(57)
Change in fixed asset payables	27	(27)
Acquisitions of subsidiaries, net of cash acquired	(246)	-
Increase in long-term loans	(6)	(6)
Total expenditures	**(307)**	**(90)**
Proceeds from sale of intangible assets and property, plant and equipment	4	2
Change in fixed asset receivables	-	3
Proceeds from sale of subsidiaries, net of cash sold	-	-
Proceeds from sale of unconsolidated investments	-	-
Repayment of long-term loans	3	4
Total divestitures	**7**	**9**
Cash flow from investing activities	**(300)**	**(81)**
Of which cash flow from investing activities from discontinued operations	**(20)**	**(20)**
Cash flow - financing activities		
Issuance (repayment) of shares and other equity	-	-
Purchase of treasury shares	-	-
Dividends paid to parent company shareholders	-	-
Dividends paid to minority shareholders	(1)	-
Increase/ decrease in long-term debt	6	5
Increase/ decrease in short-term borrowings and bank overdrafts	185	2
Cash flow from financing activities	**190**	**7**
Net increase/(decrease) in cash and cash equivalents	(37)	(81)
Effect of exchange rates and changes in scope	-	4
Cash and cash equivalents at beginning of period	254	527
Cash and cash equivalents at end of period	**217**	**450**
Of which cash and cash equivalents of discontinued operations	**2**	**2**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(non audited)

(In millions of euros)	Shares issued		Paid-in surplus	Retained earnings	Translation adjustments	Treasury shares		Shareholders' equity - Group share	Non-controlling interests	Shareholders' equity
	Number	Amount				Number	Amount			
At January 1, 2012	**61 864 577**	**619**	**1 021**	**463**	**97**	**(214 080)**	**(10)**	**2 190**	**27**	**2 217**
Cash dividend	-	-	-	-	-	-	-	-	(1)	(1)
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	-	-	-	-	-	-	-	-	-	-
Transactions with shareholders	-	-	-	**2**	-	-	-	**2**	**(1)**	**1**
Net income	-	-	-	100	-	-	-	100	-	100
Total income and expense recognized directly through equity	-	-	-	(12)	(39)	-	-	(51)	(1)	(52)
Comprehensive income	**-**	**-**	**-**	**88**	**(39)**	**-**	**-**	**49**	**(1)**	**48**
At March 31, 2012	**61 864 577**	**619**	**1 021**	**553**	**58**	**(214 080)**	**(10)**	**2 241**	**25**	**2 266**

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	1st Quarter 2012 Industrial Chemicals	 Performance Products	 Corporate	 Total
Non-Group sales	1 083	534	6	**1 623**
Inter segment sales	59	7	-	
Total sales	**1 142**	**541**	**6**	
Recurring operating income	**123**	**76**	**(19)**	**180**
Other income and expenses	-	-	-	-
Operating income	**123**	**76**	**(19)**	**180**
Equity in income of affiliates	-	-	3	3
Details of certain significant non-cash expenses by segment :				
Depreciation and amortization	(47)	(26)	-	(73)
Asset impairment charges	-	-	-	-
Provisions	9	(2)	15	22
EBITDA	**170**	**102**	**(19)**	**253**
Intangible assets and property, plant and equipment additions	51	16	4	71
Of which additions of an exceptional nature	12	-	-	12

(In millions of euros)	1st Quarter 2011 Industrial Chemicals	 Performance Products	 Corporate	 Total
Non-Group sales	947	472	5	**1 424**
Inter segment sales	48	5	-	
Total sales	**995**	**477**	**5**	
Recurring operating income	**189**	**52**	**(13)**	**228**
Other income and expenses	(2)	-	(1)	(3)
Operating income	**187**	**52**	**(14)**	**225**
Equity in income of affiliates	-	-	6	6
Details of certain significant non-cash expenses by segment :				
Depreciation and amortization	(38)	(22)	(1)	(61)
Asset impairment charges	-	-	-	-
Provisions	4	(1)	1	4
EBITDA	**227**	**74**	**(12)**	**289**
Intangible assets and property, plant and equipment additions	21	21	4	46
Of which additions of an exceptional nature	3	-	-	3

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	**End of March 2012** **Industrial Chemicals**	**Performance Products**	**Corporate**	**Total**
Non-Group sales	1 083	534	6	**1 623**
Inter segment sales	59	7	-	
Total sales	**1 142**	**541**	**6**	
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(In millions of euros)	**End of March 2011** **Industrial Chemicals**	**Performance Products**	**Corporate**	**Total**
Non-Group sales	947	472	5	**1 424**
Inter segment sales	48	5	-	
Total sales	**995**	**477**	**5**	
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