ARKEMA
The world is our inspiration

Press release

Communiqué de presse

Paris, May 5th 2011

ARKEMA: 1ST QUARTER 2011 RESULTS

NET INCOME MULTIPLIED BY FOUR TO €151 M
STRONG GROWTH ACCELERATION

- **Sales up by 33%**
- **EBITDA at €287 M, x2 compared to previous year and highest ever EBITDA margin at 16.6%**
- **Strong contribution from innovative solutions for sustainable development (photovoltaics, LED TV screens, biopolymers, etc.)**
- **50% increase in sales in Asia, and acceleration of investment program in the region**
- **Net debt well under control at €175 M**
- **2nd quarter performance anticipated at same level as 1st quarter**

The Board of Directors of Arkema met on May 4th 2011 to review the consolidated accounts of Arkema for 1st quarter 2011. At the end of the meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

« The very significant improvement in 1st quarter performance, with sales up by 33% and EBITDA margin close to 17%, illustrates the acceleration in the Group's growth and its ability to pass on raw material cost increases through sales prices, and ranks Arkema among the best in the sector.

Just a few days before the 5th anniversary of Arkema spin-off, our teams are very proud of this result, which demonstrates the success of the strategy in place and the progress achieved since our starting point when our EBITDA margin stood at 6%.

The number of innovation projects and the investment momentum in Asia, a region which now accounts for 20% of our sales, represent the major driving force behind this remarkable transformation, which gradually positions us as a high added value specialty chemicals manufacturer.

The announcement early April of a major construction project for a Thiochemicals platform in Asia and the closing of the acquisition of Total's resins business, scheduled mid-2011, fit in perfectly with the growth strategy announced at the end of last year. »

(In millions of euros)	1st Quarter 2011	1st Quarter 2010	Variation
Sales	**1,733**	**1,308**	**+33%**
EBITDA	**287**	**137**	**x 2.1**
EBITDA margin	***16.6%***	***10.5%***	
Vinyl Products	*0.3%*	*(3.0)%*	
Industrial Chemicals	*24.2%*	*14.5%*	
Performance Products	*16.1%*	*14.5%*	
Recurring operating income	**216**	**67**	**x 3.2**
Non-recurring items	(5)	(7)	-
Adjusted net income	**156**	**41**	**x 3.8**
Net income – Group share	**151**	**40**	**x 3.8**

1ST QUARTER 2011 ACTIVITY

Continuing with their major growth trend, **sales** in 1st quarter 2011 increased by 33% to €1,733 million. Volumes grew by 7%, sustained by strong demand in Asia which now accounts for 20% of the Group's sales, and by new developments in many sectors related to sustainable development (renewable energies, bio-sourced polymers, lightweight materials, etc.). Prices increased significantly (+21%) in most product lines, offsetting significant raw materials rise generally. The 3% scope of business effect corresponds to the contribution of the acrylic assets acquired in North America. The currency translation effect was limited to 1%.

EBITDA, multiplied by 2.1 compared to 1st quarter 2010, reached a new historical high of €287 million. This excellent performance was the result of many growth investment projects as well as progress initiatives launched across the Group's activities. The contribution of activities outside Vinyl Products and Acrylic monomers represents over 60% of the EBITDA increase. It reflects the expansion of our positions in Asia, in particular with the HFC-125 fluorogas production plant started up in China in April 2010, the increasing contribution of innovations related to sustainable development, and Arkema's ability to fully pass on raw material cost increases through sales prices.

For the first time since the spin-off, **EBITDA margin** exceeded 16% over a quarter, to reach 16.6%.

Operating income rose to €211 million against €60 million in 1st quarter 2010, after deduction of €71 million amortization, comparable to last year, and -€5 million non-recurring items.

Income taxes amounted to €56 million against €18 million in 1st quarter 2010, i.e. approximately 26% of recurring operating income.

Net income (Group share) was multiplied by 3.8 compared to 1st quarter 2010, rising to +€151 million, i.e. 8.7% of sales, among the best ratios in the sector.

SEGMENT PERFORMANCE IN 1ST QUARTER 2011

Industrial Chemicals (54% of overall sales): **24% EBITDA MARGIN AT RECORD LEVEL**

Industrial Chemicals sales rose significantly (+40%) to €928 million, against €661 million in 1st quarter 2010. Volumes increased by 8%, while sales prices in most product lines and particularly in Acrylics, PMMA and Fluorochemicals rose above raw material cost increases, representing a 26% price effect.

EBITDA amounted to a record €225 million (€96 million in 1st quarter 2010), with a 24.2% EBITDA margin reflecting the excellent positioning of all of the segment's product lines.

In a favorable environment, all Industrial Chemicals product lines (except Hydrogen Peroxide which was down) increased very significantly compared to last year. In Acrylic monomers, unit margins reached high levels. Sustained demand in the segment's end-markets (refrigeration for Fluorochemicals, animal nutrition, oil, gas and petrochemicals for Thiochemicals, automotive and consumer goods for PMMA, coatings and superabsorbents for Acrylics) together with growth projects (HFC-125 fluorogas production plant in Changshu, China, launched in April 2010, fast-growing PMMA sales in the LED television market) made a significant contribution to this performance.

Performance Products (27% of overall sales): **CONFIRMED GROWTH AND PROFITABILITY**

Performance Products sales rose by 27% to €472 million against €372 million in 1st quarter 2010. The significant price effect of +14% reflects the price increases implemented to offset the rise in raw material costs, as well as a product mix leaning toward higher added value applications.

EBITDA stood at €76 million against €54 million, with a 16.1% EBITDA margin (14.5% in 1st quarter 2010). This excellent performance confirms the progress made in this segment, in line with the medium-term growth and profitability objectives.

Volumes increased by 10%, sustained by strong demand in traditional markets (energy, automotive, industrial sector, consumer goods) and by a significant contribution of new applications related to sustainable development (photovoltaics, batteries, bio-sourced materials, medical oxygen, etc.).

In March, Arkema started up successfully and on schedule its new Kynar® fluorinated polymer production plant at its Changshu site in China. This additional capacity now provides Arkema with major fluorinated polymer production capacities on the 3 continents.

Vinyl Products (19% of overall sales): **SLIGHT IMPROVEMENT**

Vinyl Products sales stood at €328 million against €271 million in 1st quarter 2010. EBITDA was positive at +€1 million against a -€8 million loss in 1st quarter 2010. This improvement in sales is essentially due to rises in caustic soda and PVC prices, which offset the strong increase in the cost of ethylene and electricity (new supply conditions in force since January 1st 2011). In a slightly improving construction market in Europe, volumes were nevertheless limited by the five-year maintenance turnanound in Lavera which began in mid-March. Qatar Vinyl Company (QVC), in which Arkema holds 13%, brought €5 million equity income.

Finally, in line with its objective to reduce the relative weight of the Vinyl Products segment within the Group, Arkema announced early April 2011 a project to divest its Pipes business in France, representing sales of €45 million.

Cash flow and net debt at March 31st 2011

Free cash flow in 1st quarter 2011 stood at -€86 million. This includes a negative variation of –€225 million in working capital reflecting the significant increase in sales. Nevertheless, the working capital on sales ratio for the quarter remained well under control at 14.7% (15.6% at end March 2010).

Net debt stood at €175 million at 31st March 2011 against €94 million at December 31st 2010, representing a very low gearing at 7.5%.

Highlights of 1st quarter 2011

In March 2011, Arkema brought on stream successfully and on schedule its new Kynar® PVDF fluorinated polymer production plant at its Changshu site in China. In accordance with the Group's growth strategy in emerging countries, this new plant dedicated to the production of Kynar® PVDF polymer and VF2 (vinylidene fluoride) monomer will boost Arkema's position in Asia. It will help supply traditional Kynar® markets (high performance industrial coatings, oil and gas, chemical engineering), as well as new fast-growing markets (photovoltaics, lithium-ion batteries).

Post balance sheet events

On April 1st 2011, Alphacan, an Arkema Group subsidiary, announced a project to divest its Pipes business in France to Pipelife France, a subsidiary of the Pipelife group. This activity, which represents €45 million sales, runs manufacturing facilities at the Gaillon site (France – Eure). This project illustrates Alphacan's strategy to further focus its business in France on PVC profiles and hence develop its higher added value specialty activities.

On April 11th 2011, Arkema, in partnership with Korean company CJ CheilJedang, announced a project to build a world-scale bio-methionine plant and a thiochemicals platform in South-East Asia (Malaysia or Thailand), with start-up scheduled end 2013. The bio-methionine plant will use the world's first bio-fermentation process, with upstream integration within methyl mercaptan production. The thiochemicals platform will enable Arkema to offer sulfur derivative specialties on a global scale. The project represents overall investments of $400 million equally split between both partners.

Outlook

In 2nd quarter 2011, market conditions remain favorable, in line with those prevailing in 1st quarter. EBITDA in 2nd quarter is expected to be similar to 1st quarter 2011 EBITDA.

In this context, Arkema reiterates its confidence for a very good year in 2011, while remaining attentive to the changes in the political and economic environment. The Group also anticipates a return to more traditional quarterly seasonality.

As part of its medium-term objectives, Arkema is actively pursuing its ambitious growth plan, with several recent announcements confirming this commitment, including the successful start-up of the Kynar® fluorinated polymer plant in China in March, as well as the signing of a memorandum of understanding for the construction of a Thiochemicals production platform in Asia. Meanwhile, the project to acquire Total's resins business is due to be finalized in early July.

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

Financial calendar

May 24th 2011	Annual General Shareholders Meeting
August 2nd 2011	2nd quarter 2011 results

A global chemical company and France's leading chemicals producer, Arkema is building the future of the chemical industry every day. Deploying a responsible, innovation-based approach, we produce state-of-the-art specialty chemicals that provide customers with practical solutions to such challenges as climate change, access to drinking water, the future of energy, fossil fuel preservation and the need for lighter materials. With operations in more than 40 countries, 14,000 employees and 8 research centers, Arkema generated annual revenue of around €5.9 billion in 2010 and holds leadership positions in all its markets with a portfolio of internationally recognized brands. The world is our inspiration.

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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 material 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 2010 reviewed by the Board of Directors of Arkema S.A. on May 10th 2010.

Quarterly financial information is not audited.

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

The main performance indicators used are as follows:

- ***operating income**: this includes all income and expenses of continuing operations other than financial result, equity in income of affiliates and income taxes;*
- ***other income and expenses**: these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance. These items of income and expense notably include:*
  - *impairment losses in respect of property, plant and equipment and intangible assets,*
  - *gains or losses on sale of assets, acquisition expenses, badwill 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 2011

CONSOLIDATED INCOME STATEMENT

(In millions of euros)	1st quarter 2011 (non audited)	1st quarter 2010 (non audited)
Sales	1 733	1 308
Operating expenses	(1 379)	(1 114)
Research and development expenses	(38)	(34)
Selling and administrative expenses	(100)	(93)
Recurring operating income	**216**	**67**
Other income and expenses	(5)	(7)
Operating income	**211**	**60**
Equity in income of affiliates	6	3
Financial result	(9)	(5)
Income taxes	(56)	(18)
Net income of continuing operations	**152**	**40**
Net income of discontinued operations	**-**	**-**
Net income	**152**	**40**
Of which non-controlling interests	1	-
Net income - Group share	**151**	**40**
Earnings per share (amount in euros)	*2,46*	*0,66*
Diluted earnings per share (amount in euros)	*2,43*	*0,66*
Depreciation and amortization	(71)	(70)
EBITDA	**287**	**137**
Adjusted net income	156	41
Adjusted net income per share (amount in euros)	*2,54*	*0,68*
Diluted adjusted net income per share (amount in euros)	*2,51*	*0,68*

CONSOLIDATED BALANCE SHEET

	March 31, 2011	December 31, 2010
	(non audited)	*(audited)*
(In millions of euros)		
ASSETS		
Intangible assets, net	485	494
Property, plant and equipment, net	1 652	1 703
Equity affiliates : investments and loans	57	55
Other investments	38	38
Deferred tax assets	25	29
Other non-current assets	88	89
TOTAL NON-CURRENT ASSETS	**2 345**	**2 408**
Inventories	949	864
Accounts receivable	1 091	875
Other receivables and prepaid expenses	110	120
Income taxes recoverable	21	20
Other current financial assets	17	4
Cash and cash equivalents	450	527
Total assets of discontinued operations	-	-
TOTAL CURRENT ASSETS	**2 638**	**2 410**
TOTAL ASSETS	**4 983**	**4 818**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	615	615
Paid-in surplus and retained earnings	1 731	1 567
Treasury shares	(6)	(6)
Translation adjustments	(14)	43
SHAREHOLDERS' EQUITY - GROUP SHARE	**2 326**	**2 219**
Non-controlling interests	21	21
TOTAL SHAREHOLDERS' EQUITY	**2 347**	**2 240**
Deferred tax liabilities	44	52
Provisions and other non-current liabilities	799	807
Non-current debt	589	587
TOTAL NON-CURRENT LIABILITIES	**1 432**	**1 446**
Accounts payable	826	779
Other creditors and accrued liabilities	270	279
Income taxes payable	71	37
Other current financial liabilities	1	3
Current debt	36	34
Total liabilities of discontinued operations	-	-
TOTAL CURRENT LIABILITIES	**1 204**	**1 132**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4 983**	**4 818**

CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)	End of March 2011 (non audited)	End of March 2010 (non audited)
Cash flow - operating activities		
Net income	152	40
Depreciation, amortization and impairment of assets	71	70
Provisions, valuation allowances and deferred taxes	-	(18)
(Gains)/losses on sales of assets	(1)	(3)
Undistributed affiliate equity earnings	(6)	-
Change in working capital	(225)	(68)
Other changes	2	1
Cash flow from operating activities	**(7)**	**22**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(57)	(54)
Change in fixed asset payables	(27)	(19)
Acquisitions of subsidiaries, net of cash acquired	-	-
Increase in long-term loans	(6)	(8)
Total expenditures	**(90)**	**(81)**
Proceeds from sale of intangible assets and property, plant and equipment	2	3
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	4	5
Total divestitures	**9**	**8**
Cash flow from investing activities	**(81)**	**(73)**
Cash flow - financing activities		
Issuance (repayment) of shares	-	-
Purchase of treasury shares	-	-
Dividends paid to parent company shareholders	-	-
Dividends paid to minority shareholders	-	(1)
Increase/ decrease in long-term debt	5	-
Increase/ decrease in short-term borrowings and bank overdrafts	2	4
Cash flow from financing activities	**7**	**3**
Net increase/(decrease) in cash and cash equivalents	(81)	(48)
Effect of exchange rates and changes in scope	4	17
Cash and cash equivalents at beginning of period	527	88
Cash and cash equivalents at end of period	**450**	**57**

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, 2011	**61 493 794**	**615**	**1 011**	**556**	**43**	**(136 280)**	**(6)**	**2 219**	**21**	**2 240**
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										
Transactions with shareholders				**2**		**-**		**2**		**2**
Net income				151				151	1	152
Income and expense recognized directly through equity				11	(57)			(46)	(1)	(47)
Total recognized income and expense				**162**	**(57)**			**105**		**105**
At March 31, 2011	**61 493 794**	**615**	**1 011**	**720**	**(14)**	**(136 280)**	**(6)**	**2 326**	**21**	**2 347**

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

(non audited)

March 31, 2011

In millions of euros	Group share	Non-controlling interests	Total
Net income	**151**	**1**	**152**
Hedging adjustments	10		10
Actuarial gains and losses			
Change in translation adjustments	(57)	(1)	(58)
Other			
Tax impact	1		1
Total income and expense recognized directly through equity	*(46)*	*(1)*	*(47)*
Total recognized income and expense	**105**		**105**

INFORMATION BY BUSINESS SEGMENT

(In millions of euros)	1st Quarter 2011				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	328	928	472	5	**1 733**
Inter segment sales	16	43	5		
Total sales	**344**	**971**	**477**	**5**	
Recurring operating income	**(13)**	**190**	**55**	**(16)**	**216**
Other income and expenses	(2)	(2)	-	(1)	**(5)**
Operating income	**(15)**	**188**	**55**	**(17)**	**211**
Equity in income of affiliates	6	-	-	-	6
Details of certain significant non-cash expenses by segment :					
Depreciation and amortization	(14)	(35)	(21)	(1)	(71)
Asset impairment charges	-	-	-	-	
Provisions	4	3	(1)	1	7
EBITDA	**1**	**225**	**76**	**(15)**	**287**
Intangible assets and property, plant and equipment additions	12	20	21	4	57
Of which additions of an exceptional nature	1	2	-	-	3

(In millions of euros)	1st Quarter 2010				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	271	661	372	4	**1 308**
Inter segment sales	14	32	4	-	
Total sales	**285**	**693**	**376**	**4**	
Recurring operating income	**(22)**	**62**	**32**	**(5)**	**67**
Other income and expenses	-	(5)	-	(2)	(7)
Operating income	**(22)**	**57**	**32**	**(7)**	**60**
Equity in income of affiliates	3	-	-	-	3
Details of certain significant non-cash expenses by segment :					
Depreciation and amortization	(14)	(34)	(22)	-	(70)
Asset impairment charges	-	-	-	-	-
Provisions	7	5	-	8	20
EBITDA	**(8)**	**96**	**54**	**(5)**	**137**
Intangible assets and property, plant and equipment additions	8	27	19	-	53
Of which additions of an exceptional nature	-	2	2	-	4