ARKEMA
The world is our inspiration

Press release

Communiqué de presse

INVESTOR AND ANALYST FACTSHEET

	2Q'10 in €m	2Q'09 in €m	2Q'10/ 2Q'09	1H'10 in €m	1H'09 in €m	1H'10/ 1H'09
Sales	**1,605**	**1,167**	**37.5%**	**2,913**	**2,259**	**29.0%**
Vinyl Products	298	266	12.0%	569	523	8.8%
Industrial Chemicals	854	543	57.3%	1,515	1,052	44.0%
Performance Products	448	355	26.2%	820	678	20.9%
Corporate	5	3		9	6	
EBITDA	**241**	**70**	**x 3.4**	**378**	**127**	x 3.0
Vinyl Products	0	(7)	na	(8)	(5)	na
Industrial Chemicals	176	75	x 2.3	272	148	83.8%
Performance Products	76	23	x 3.3	130	40	x 3.3
Corporate	(11)	(21)		(16)	(56)	
EBITDA margin	**15.0%**	**6.0%**		**13.0%**	**5.6%**	
Vinyl Products	0%	(2.6)%		(1.4)%	(1.0)%	
Industrial Chemicals	20.6%	13.8%		18.0%	14.1%	
Performance Products	17.0%	6.5%		15.9%	5.9%	
Depreciation and amortization	(72)	(68)	5.9%	(142)	(137)	3.6%
Recurring EBIT	**169**	**2**	**x 84.5**	**236**	**(10)**	na
Vinyl Products	(13)	(19)	na	(35)	(29)	na
Industrial Chemicals	140	43	x 3.3	202	83	x 24
Performance Products	53	0	na	85	(7)	na
Corporate	(11)	(22)	na	(16)	(57)	
NR items	**3**	**(94)**		**(4)**	**(98)**	
Equity in income of affiliates	4	3		7	5	
Financial results	(7)	(7)		(12)	(15)	
Income taxes	(49)	(17)		(67)	(30)	
Net income of continuing operations	120	(113)		160	(148)	
Net income of discontinued operations	-	-		-	-	
Net income – Group share	**119**	**(114)**	**na**	**159**	**(149)**	**na**
EPS (diluted)	**1.95**	**(1.88)**	**na**	**2.61**	**(2.46)**	**na**
Adjusted EPS (diluted)	1.92	(0.41)	na	2.60	(0.91)	na
Adjusted net income	117	(25)	na	158	(55)	na
Capital expenditures (recurring)	**63**	**73**	**(13.7)%**	**113**	**125**	**(9.6)%**
Vinyl Products	12	9		20	21	
Industrial Chemicals	25	30		50	52	
Performance Products	23	34		40	51	
Net cash flow[1]				**(29)**	**107**	
Free cash flow[2]				**14**	**135**	
Working capital (vs. 12/31/09)				946	720	31.4%
WC as % of sales[3] (vs. 12/31/09)				**14.7%**	**16.2%**	
Net debt (12/31/09)				**367**	**341**	7.6%
Gearing[4] (12/31/09)				**18%**	**19%**	

[1] Calculated as cash flow from operating activities plus cash flow from investing activities
[2] Free cash flow before M&A and dividend
[3] Calculated as working capital end of period divided by 4 times quarterly sales
[4] Calculated as net financial debt divided by shareholders' equity

SECOND QUARTER 2010 PERFORMANCE

RECORD PERFORMANCE
+38% SALES
€119 MILLION NET INCOME

SALES AT €1,605M VERSUS €1,167M IN 2Q'09

- +12.2% volumes versus 2Q'09 supported by:
  - Strong demand in Asia
  - Improving volumes in North America
  - Contribution from new developments in fast-growing sectors
- +10.7% variation from the changes in the scope of business resulting mainly from the integration of the acrylic assets acquired from Dow.
- +10.7% price effect. Price increases have exceeded higher raw material costs.
- +3.9% translation effect (FX rate).

HIGHEST EBITDA IN ARKEMA'S HISTORY AT €241M

- EBITDA x3.4 vs 2Q'09 and +76% vs 1Q'10
- All segments contributed to EBITDA growth
- Significant positive effect on bottom line from new businesses
  - high performance polymers, renewables, photovoltaic, alternative energies, etc.
- Benefits from new plants in Asia
- Lower cost base leveraging higher sales volumes
- Integration from former Dow acrylic assets

VINYL PRODUCTS: *MARKET CONDITIONS REMAIN CHALLENGING*

- Break-even EBITDA
- Construction market still weak in Europe
- Low unit margins
  - PVC price increase offset higher ethylene costs
  - Caustic soda price ~30% below 2Q'09 but slight improvement compared to 1Q'10
- Strong performance of QVC (Qatar Vinyl Company)
- Strong improvement of competitiveness remains the priority of the segment for the coming months

INDUSTRIAL CHEMICALS: ABOVE 20% EBITDA MARGIN

- +33% sales at constant scope of business vs 2Q'09
  - +15% price effect and +13% volume effect
- Traditional stronger seasonality in Fluorochemicals and Coatings in 2Q
- Notable improvement of acrylic monomer unit margins versus low-cycle conditions in 2Q'09
- Successful start up of new HFC-125 fluorogas production unit in Changshu (China)
- Benefits from restructuring in Methacrylates in France
- Good performance of former Dow acrylic assets with €132m sales

PERFORMANCE PRODUCTS: EBITDA MULTIPLIED BY 3 VERSUS 2Q'09

- +19% volumes versus 2Q'09
  - Strong demand in Asia
  - Reasonable growth in Europe and North America
  - Benefits from new businesses in fast-growing applications (high performance polymers, new energies, bio-based polymers, etc.)
- Strong raw material increases offset by higher sale prices
- Lower cost base in Technical Polymers and Functional Additives

CASH FLOWS, NET DEBT AND PROVISIONS

POSITIVE FREE CASH FLOW DESPITE STRONG SALES INCREASE

Items	***30 June 2010***
EBITDA	**378**
Variation in working capital	(131)
Recurring capex	(113)
Tax & cost of debt	(71)
Restructuring outflows	(33)
Others	(16)
Free cash Flow	**14**

- - € 131m variation in working capital reflecting the strong increase in sales
- Working capital on sales ratio at 14.7% at the end of June 2010 vs 16.2% at the end of 2009

€ 367M NET DEBT AT THE END OF JUNE 2010

- Includes € 80m cash outflows related to:
  - Payment of a dividend of €0.60 per share
  - Acquisition of former Dow acrylic assets
  - Subscription to Exeltium share capital
- Gearing at 18%

2010 OUTLOOK:

INCREASED TARGET

- Market conditions in July in line with 2Q'10
- Traditional seasonality of our businesses
  - 2Q>3Q>4Q and 1H>2H
  - Impact of August and December in Europe
- Strong benefits from internal projects
- EBITDA target significantly increased for full year 2010 with an EBITDA that should exceed €600m, i.e. around 2x 2009 EBITDA
  - Previous high: €518m EBITDA in 2007
  - 2005 (reference year): €355m EBITDA in a better economic environment than in 2010
  - 2010 EBITDA target exceeds cost of capital

2Q'10 HIGHLIGHTS:

- Successful start-up of HFC-125 production unit in Changshu (China)
- Approval received from the EPA to market Arkema's carbon nanotubes in the US (Graphistrength®)
- Subscription to Exeltium's share capital for a net amount of €15m after finalization of the consortium financing
- Dividend of €0.60 per share paid in June for a total of €37m
- Success of the 2nd share capital increase reserved for employees
    - €17m subscribed
    - Employee holdings in Arkema's share capital represent 5% end of June 2010

MAJOR EVENTS SINCE JULY 1ST:

- Simplification of the industrial organization of Vinyl Products with SolVin in France and Spain
    - SolVin and Arkema have each purchased the minority holding of the other in the production joint ventures that they operated together.
    - Vinylfos (France) and Vinylberre (France) are now fully owned by Arkema, which has no longer a minority holding in Vinilis (Spain).
- Registration of the Paladin® for soil fumigation by the Environmental Protection Agency (EPA) in the US