ARKEMA
The world is our inspiration

Press release

Communiqué de presse

INVESTOR AND ANALYST FACTSHEET

	4Q'09 in €m	4Q'08 in €m	*4Q'09/ 4Q'08*	2009 in €m	2008 in €m	*2009/ 2008*
Sales	**1,082**	**1,182**	***(8.5)%***	**4,444**	**5,633**	***(21.1)%***
Vinyl Products	234	281	*(16.7)%*	1,005	1,443	*(30.3)%*
Industrial Chemicals	529	564	*(6.2)%*	2,109	2,582	*(18.3)%*
Performance Products	316	335	*(5.7)%*	1,318	1,602	*(17.7)%*
Corporate	3	2		12	6	
EBITDA	**82**	**47**	***74.5%***	**310**	**498**	***(37.8)%***
Vinyl Products	(18)	(24)	*n.a.*	(31)	14	*n.a.*
Industrial Chemicals	77	65	*18.5%*	306	341	*(10.3)%*
Performance Products	29	14	*107.1%*	102	177	*(42.4)%*
Corporate	(6)	(8)		(67)	(34)	
EBITDA margin	**7.6%**	**4.0%**		**7.0%**	**8.8%**	
Vinyl Products	(7.7)%	(8.5)%		(3.1)%	1.0%	
Industrial Chemicals	14.6%	11.5%		14.5%	13.2%	
Performance Products	9.2%	4.2%		7.7%	11.0%	
Depreciation and amortization	(68)	(66)		(270)	(248)	
Recurring EBIT	**14**	**(19)**	***n.a.***	**40**	**250**	***(84)%***
Vinyl Products	(30)	(35)	*n.a.*	(80)	(25)	*n.a.*
Industrial Chemicals	44	33	*33%*	177	218	*(19)%*
Performance Products	6	(8)	*n.a.*	11	92	*(88)%*
Corporate	(6)	(9)	.	(68)	(35)	
NR items	**(3)**	**(35)**		**(109)**	**(53)**	
Equity in income of affiliates	6	2		13	8	
Financial results	(7)	(9)		(28)	(35)	
Income taxes	(30)	(11)		(87)	(69)	
Net income of continuing operations	(20)	(72)		(171)	101	
Net income of discontinued operations	0	0		0	0	
Net income – Group share	**(20)**	**(72)**		**(172)**	**100**	
EPS (diluted)	**(0.34)**	**(1.19)**		**(2.85)**	**1.65**	
Adjusted EPS (diluted)	**(0.03)**	**(0.68)**		**(0.81)**	**2.41**	
Adjusted net income	(2)	(41)		(49)	146	
Recurring capital expenditures	**85**	**135**		**262**	**301**	***(13)%***
Vinyl Products	16	37		48	79	
Industrial Chemicals	40	54		117	131	
Performance Products	28	41		93	86	
Net cash flow[1]				**202**	**(11)**	***n.a.***
Working capital (12/31)				720	1,055	*(32)%*
WC as % of sales[2]				**16.2%**	**18.7%**	
Net debt (12/31)				**341**	**495**	***(31)%***
NR pre-spin off items				-	55	
Gearing[3]				**19%**	**27%**	

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

2009 FULL YEAR PERFORMANCE

SALES AT €4,444 M VS. €5,633 M IN 2008

- Volumes down on significant drop of demand magnified by massive de-stocking by customers in 1H'09.
- Uneven regional situations:
  - In Asia, which represented 18% of Arkema's 2009 sales, strong demand recovery starting in 2Q'09.
  - In North America, gradual volume recovery after 1H'09 customer de-stocking
  - In Europe, volumes still lower than pre-crisis level despite the end of de-stocking.
- Price variation reflects primarily lower raw materials costs in Acrylics and Vinyls and collapse of caustic soda prices which reached their lowest level in 3Q'09

	Volume	Price	Scope	FX rate
Arkema	**(13.9)%**	**(7.7)%**	**(0.7)%**	**+1.1%**
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 €310 M VS. €498 M IN 2008 AND EBITDA MARGIN AT 7.0% VS 8.8% IN 2008

EBITDA bridge *(in €m)*		
2008 EBITDA	**498**	
Productivity	*132*	
Fixed cost savings		171
Inflation and volume loss from restructuring iniatives		(39)
New businesses	*36*	
Impact from environment (including €40m negative inventory effect)	**(343)**	
Others	**(13)**	
2009 EBITDA	**310**	

- €171m fixed costs savings well above initial target of €110m
  - Include ~€50m volume-related savings
- 3 main restructuring initiatives:
  - Methacrylates in Europe
  - US reorganization
  - Copolymers in Saint-Auban (Fr)

VINYL PRODUCTS : TROUGH MARKET CONDITIONS

- Low level of PVC unit margins
- Caustic soda prices sharply down from peak in 1Q' to low in 3Q'
- Sharp contraction of demand in construction in Europe
- Benefits from restructuring plans in downstream PVC
- ~€70m non-core sales divested

INDUSTRIAL CHEMICALS : RECORD EBITDA MARGIN SINCE SPIN OFF

- 14.5% EBITDA margin despite very challenging macro environment and –12% volumes versus 2008
- Strong results in Fluorochemicals and Thiochemicals reflecting in-depth transformation
- Significant fixed cost savings, especially in Methacrylates
- Shutdown end 2009 of MMA production unit in Carling, France (100kt/yr)
- Benefits from expansion in Asia in Fluorochemicals and H_2O_2
- Low unit margins in Acrylics
- Good resilience of Coatex businesses confirming its successful integration

PERFORMANCE PRODUCTS : SIGNIFICANT IMPROVEMENT IN 2H'09

- -16% volumes vs 2008
- Resilience of pricing
- Fixed cost savings in Technical Polymers & Functional Additives
- Solid performance in Specialty Chemicals
- Strong business developments in renewable energies and high performance polymers (photovoltaic, lithium-ion batteries, high temperature polyamides,…)

NON RECURRING ITEMS AT €(109) M VS. €(53) M IN 2008

Mainly include expenses related to the Methacrylates restructuring plan in Europe and the North American reorganization.

INCOME TAXES AT €(87)M VERSUS €(69)M IN 2008

- Reflects breakdown of results between France and the rest of the world

CASH FLOWS AND NET DEBT

Items	***2009***	***2008***	***Comments on 2009***
Operating cash flow	452	331	Including €384m from working capital reduction
Investing cash flow	(250)	(342)	
Net cash flow	**202**	**(11)**	**Cash flow from operating and investing activities**
NR pre spin off	-[4]	(54)	
Impact from M&A	(26)	(25)	Mainly acquisition of Geo Specialty Chemicals' organic peroxides
Free cash flow	**228**	**68**	
NR items	(84)	(56)	Including €(78)m restructuring outflows
Recurring capex	(262)	(301)	Recurring capex down (13)% vs 2008. Includes €51m capex spent in Asia (+24% vs 2008)
Variation in WC	+384	+56	

- Free cash flow[5] at €228m largely above initial target of positive free cash flow.
- Net debt further reduced by (31)% at €341m i.e. 1.1x EBITDA and 19% of shareholders' equity. Net debt includes the payment of a €0.60/share dividend in respect of 2008 representing €36m.

[4] As from 2009, NR pre spin off items are no longer accounted separately
[5] Free cash flow = cash flow including non-recurring items and excluding impact from M&A and, in 2008, from NR pre spin off items

PROVISIONS

- Net provisions excluding provisions covered by LT assets amount to €685 m end 2009.

Provision analysis *(in €m) at 12/31/2009*	**Provision**	**LT asset covering provision**	**Net Provision**
Provisions covered by warranties	**68**	**68**	**0**
Environment	58	58	0
Litigations covered by warranties or cash deposit	10	10	0
Debt-like provisions	**348**	**3**	**345**
Pensions*	237	3*	234
Restructuring	111		111
Other provisions booked through EBITDA	**340**	**0**	**340**
Provisions for liabilities towards employees	100		100
Environment	139		139
Others	101		101
Total provisions	**756**	**71**	**685**

* Pension assets (€3 million at 12/31/09 at the same level as at 12/31/2008)

HIGHLIGHTS SINCE JANUARY 1ST, 2010

On January 25th, 2010, Arkema formally completed its acquisition of certain acrylic assets from Dow in North America for a fair value consideration of US$50 million. The 2009 revenues for these businesses are about US$450m.

Following this acquisition, the Clear Lake (Texas) acrylic monomer production site is integrated into the existing Acrylics BU.

The downstream acrylic latex activities form a new Business Unit dedicated to the paint, coatings, adhesives and construction product markets named “Emulsion Systems”. This new business unit is part of the Industrial Chemicals business segment.

OUTLOOK

Arkema has begun 2010 well prepared and confident while remaining cautious in its economic assumptions.

In this context, the Group will continue to improve its cost base, strictly manage its cash flow, develop its presence in Asia and increase its positions in high performance polymers and in renewable energies. These various initiatives should allow Arkema to generate in 2010 an EBITDA significantly above 2009.

Over the next five years, Arkema will continue to enhance its portfolio of businesses and to reinforce its presence in fast growing regions. In a normalized environment, Arkema targets an EBITDA margin above 13.5% in mid-cycle conditions by 2014.

4TH QUARTER 2009 PERFORMANCE

VOLUME AND EBITDA GROWTH YEAR-ON-YEAR

SALES AT €1,082 M VS. €1,182 M IN 4Q'08

- Price variation reflects lower raw material costs in Vinyls and Acrylics and decrease in caustic soda prices.

	Volume	Price	Scope	FX rate
Arkema	**+8.0%**	**(13.3)%**	**(0.6)%**	**(2.4)%**

EBITDA AT €82M, +74% VS €47M 4Q'08

- Benefits from restructuring plans
- Improvement in market conditions
- Positive contribution from growth projects
- Negative impact from FX rate change
- EBITDA margin at 7.6% in 4Q'09 vs 4% in 4Q'08

POSITIVE RECURRING OPERATING INCOME AT €14M VS €(19)M IN 4Q'08

VINYL PRODUCTS : ADVERSE MARKET CONDITIONS

- Traditional weaker seasonality in December
- Low caustic soda prices
- US PVC imports on lower ethylene and US$

INDUSTRIAL CHEMICALS : EXCELLENT PERFORMANCE

- Volumes recovery vs 4Q'08
- Benefits from productivity initiatives
- Acrylic unit margins at a low point

PERFORMANCE PRODUCTS : SIGNIFICANT RECOVERY

- Improved volumes
- Pricing resilience
- High fixed cost reductions

CASH FLOW

- Positive Free Cash Flow[6] (+€22m) for the 4th quarter in a row in 2009

[6] Excluding impact from M&A