Press release

Communiqué de presse

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ARKEMA: 2009 RESULTS

STRONG EBITDA INCREASE IN 4Q'09 VERSUS 4Q'08
IN 2009 ARKEMA DEMONSTRATED ITS ABILITY TO RESIST IN A CHALLENGING ECONOMIC ENVIRONMENT

2009

- **Strong free cash flow generation at +€228 million**
- **€171 million fixed cost savings**
- **14.5% EBITDA margin in Industrial Chemicals**
- **Significant reduction in working capital to 16% of annual sales**
- **Net debt at €341 million (1.1x EBITDA) versus €495 million end 2008**
- **Maintain dividend at 0.60 euro per share[1]**

4th quarter 2009

- **+8% volume increase versus 4th quarter 2008**
- **EBITDA 74% up over previous year**

2010 outlook

- **2010 EBITDA significantly above 2009**

The Board of Directors of Arkema met on March 3rd 2010 to close Arkema's accounts for 2009. At the end of the meeting, Thierry Le Hénaff, Chairman and CEO of Arkema, stated:

«In 2009, Arkema demonstrated its ability to adapt to a challenging economic environment, by generating 228 million euro free cash flow and reducing its fixed costs by 171 million euros, well above the targets set at the beginning of the year.

In the 4th quarter of the year, an 8% improvement in volumes over the same quarter of 2008 together with the benefits from the cost-cutting initiatives implemented throughout the year led to a 74% EBITDA increase.

Meanwhile, we pursued the in-depth transformation of the Group by improving its positioning and implementing a targeted growth policy.

We were also very pleased to announce on January 25 this year, the closing of the acquisition of certain acrylic assets from Dow in the United States. This is a major step in Arkema's development since its listing.

We have begun 2010 with confidence, while maintaining cautious market assumptions. We target a significant improvement of our sales and EBITDA in 2010.

Accordingly and considering Arkema's very strong balance sheet, the Board of Directors has decided to propose to the next Shareholders Meeting to maintain the dividend at the same level as last year, namely €0.60 per share.»

[1] Dividend proposed to the Shareholders Meeting on June 1st, 2010

(In millions of euros)	2008	2009	Variation
Sales	**5,633**	**4,444**	**(21.1)%**
EBITDA	**498**	**310**	**(37.8)%**
EBITDA margin	***8.8%***	***7.0%***	
Vinyl Products	*1.0%*	*(3.1)%*	
Industrial Chemicals	*13.2%*	*14.5%*	
Performance Products	*11.0%*	*7.7%*	
Recurring operating income	**250**	**40**	**(84.0)%**
Non-recurring items	(53)	(109)	**-**
Adjusted net income	**146**	**(49)**	**-**
Net income – Group share	**100**	**(172)**	**-**

2009 PERFORMANCE

SIGNIFICANT REDUCTION IN FIXED COSTS IN A CHALLENGING ECONOMIC ENVIRONMENT, AND IMPROVEMENT IN VOLUMES AT THE YEAR-END

Sales totalled €**4,444** million against €5,633 million in 2008 in an unprecedented economic environment. Volumes showed a 13.9% decline over 2008 due to the combined effect of a drop in demand and the massive de-stocking by the customers in the first six months of the year. Situation differed from one region of the world to another. Asia, where Arkema now achieves 18% of its sales (against 13% in 2006), saw a strong demand recovery since 2nd quarter 2009. Volumes in this region now exceed pre-crisis levels. In Europe and the United States, volumes remained below pre-crisis levels despite the end of de-stocking and a few more positive signs in North America.
Price effect (–7.7%) primarily reflected lower raw material costs, in particular ethylene and propylene, in some product lines (PVC and Acrylics), and the fall in caustic soda prices, which reached their lowest level in 3rd quarter. The translation effect was positive (+1.1%), while the effect of changes in the scope of business remained limited (-0.7%).

EBITDA stood at €**310** million in 2009 against €498 million in 2008. Arkema limited the impact of volume drop by speeding up cost reductions. Therefore, the Group generated an EBITDA gain of €132 million thanks to €171 million reductions in fixed cost savings over and above the initial stated target of €110 million. Additionally, the new production units in Asia in Industrial Chemicals (H_2O_2, Fluorochemicals) and the latest developments in renewable energies and high performances polymers generated €36 million EBITDA.

EBITDA margin reached 7.0% of sales against 8.8% in 2008 and 6.2% in 2005.

Recurring operating income was positive at €40 million, and included €270 million depreciation and amortization.

Operating income totalled **-€69** million after deduction of **non-recurring items**. The latter, amounting to -€109 million, primarily included charges relating to the restructuring plans announced in North America and in Methacrylates in Europe.

Financial result stood at -€28 million against -€35 million in 2008. The cost of debt, below 2008 levels, reflected the decrease of the Group's average net debt and of average interest rate at 2.2% in 2009 (4.5% in 2008).

Income taxes amounted to -€87 million in 2009 against -€69 million in 2008. This relatively high tax charge reflected the breakdown of results between France and the rest of the world.

Hence **net income** (Group share) stood at -€**172** million in 2009.

2009 SEGMENT PERFORMANCE

Vinyl Products: TROUGH MARKET CONDITIONS

Vinyl Products sales amounted to €1,005 million (€1,443 million in 2008), and EBITDA totalled -€31 million (€14 million in 2008), affected by the sharp contraction of demand in construction in Europe, the collapse in caustic soda prices in 2nd quarter, and low PVC unit margins. Restructuring in downstream PVC largely contributed to the segment's fixed cost savings which partly mitigating the impact from the economic environment. Furthermore, in order to continue reducing the relative weight of Vinyl Products in Arkema's sales, several businesses accounting for annual sales of €70 million were divested during the year.

Industrial Chemicals: RECORD EBITDA MARGIN SINCE SPIN-OFF AT 14.5%

Industrial Chemicals sales reached €2,109 million (€2,582 million in 2008). Despite a 12% decrease in volumes compared to 2008 and very low Acrylics unit margins, EBITDA stood at €306 million, i.e. a 14.5% EBITDA margin, its highest level since Arkema's spin-off (against respectively €341 million and 13.2% in 2008). Thiochemicals and Fluorochemicals reported strong results reflecting the in-depth transformation initiated several years ago. Coatex showed good resilience, confirming its successful integration. Growth in Asia was supported by developments in Hydrogen Peroxide and Fluorochemicals. Finally, significant fixed cost reductions, in particular in Methacrylates, contributed positively to EBITDA. End 2009, as part of the Methacrylates restructuring plan in Europe, the Carling (France) MMA production plant was shut down.

Performance Products: COST REDUCTION AND VOLUME RECOVERY IN THE 2ND HALF OF THE YEAR

Performance Products sales amounted to €1,318 million against €1,602 million in 2008. EBITDA stood at €102 million against €177 million in 2008. In line with market trends in automotive and construction and the recovery in new energies markets, sales volumes, 16% down on 2008, gradually improved in the 2nd half of the year. Prices were overall resilient. Specialty Chemicals posted a solid performance. In Technical Polymers and Functional Additives fixed costs were further reduced. Finally, the successes reported in sustainable development sector and in high performance polymers (photovoltaics, lithium-ion batteries, high temperature polyamides, etc.) gathered strength.

CASH FLOW AND NET DEBT AT DECEMBER 31ST 2009

+€228 MILLION FREE CASH FLOW[2]

In 2009, Arkema gave priority to cash generation, and reported **free cash flow**[2] of €228 million, well above its initial target of a positive cash flow for the year.

This excellent performance results primarily from a significant reduction in **working capital** which generated +€384 million cash flow. The concerted efforts of Arkema's teams focused on optimizing quantities in stock, hence helping to reduce the working capital from 18.7% of annual sales in 2008 to 16.2% in 2009.

Recurring capital expenditure was limited to €262 million, a 13% reduction compared to 2008. Arkema nevertheless actively continued its expansion projects in Asia, a region in which its capital expenditure accounted for €51 million, 24% up on 2008.

Net debt stood at €341 million at December 31st 2009 against €495 million end 2008, a 31% reduction despite the payment of a dividend of €0.60 per share in respect of 2008 totalling €36 million. The net debt to equity ratio was low at 19%.

4TH QUARTER 2009

(In millions of euros)	**4Q'08**	**4Q'09**	**Variation**
Sales	**1,182**	**1,082**	**(8.5)%**
EBITDA	**47**	**82**	**+74%**
EBITDA margin	***4.0%***	***7.6%***	
Vinyl Products	*(8.5)%*	*(7.7)%*	
Industrial Chemicals	*11.5%*	*14.6%*	
Performance Products	*4.2%*	*9.2%*	
Recurring operating income	**(19)**	**14**	**-**
Non-recurring items	(35)	(3)	-
Adjusted net income	**(41)**	**(2)**	**-**
Net income – Group share	**(72)**	**(20)**	**-**

EBITDA in 4th quarter 2009 was significantly up on 4th quarter 2008, sustained by an increase in volumes over the same quarter of the previous year and the benefits from fixed cost reductions.

Sales in the 4th quarter 2009 amounted to €1,082 million (€1,182 million in 4th quarter 2008). Volumes were up 8% compared to 4th quarter 2008. Prices decreased by 13% compared to 4th quarter 2008, when caustic soda prices and raw material costs remained very high. In PVC, imports in Europe of products from the United States put pressure on prices.

[2] Cash flow from operating and investment activities excluding the impact of portfolio management.

Despite a negative translation effect, EBITDA amounted to €82 million, 74% up on 4th quarter 2008, while the recurring operating result was positive at €14 million. This increase reflected improvement in market conditions, benefits from restructuring plans, and the contribution of growth projects. EBITDA margin stood at 7.6% in 4th quarter 2009 against 4% in 4th quarter 2008.

As with the other quarters of 2009, free cash flow was positive at +€22 million.

POST BALANCE SHEET EVENTS

Acquisition of certain acrylic assets from Dow in North America

On January 25th 2010, Arkema completed the acquisition of certain acrylic assets from Dow in North America, for a fair value consideration of US$50 million. Sales for this business totalled around US$450 million in 2009. The Clear Lake (Texas) acrylic monomer site is integrated within the Acrylics BU, while the downstream acrylic latex activities form the « Emulsion Systems » BU.

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.

The 2009 results and outlook are detailed in the « 2009 Full Year Results » presentation available on the website www.finance.arkema.com.

The consolidated financial statements as at December 31st 2009 have been audited by external auditors; an unqualified opinion is in the process of being issued.

SHARE CAPITAL INCREASE RESERVED FOR EMPLOYEES

The Board of Directors has decided to launch a share capital increase reserved for employees. The subscription price has been set at €20.63. This operation illustrates Arkema's commitment to involve its employees in the Group's activities and transformation.

FINANCIAL CALENDAR

May 11th, 2010	1st quarter 2010 results
June 1st, 2010	Annual General Shareholders Meeting
August 3rd, 2010	2nd quarter 2010 results

A global chemical company, Arkema consists of three businesses: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries and having 13,800 employees, Arkema achieved sales of 4.4 billion euros in 2009. With its six 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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ARKEMA Financial Statements

Consolidated financial statements - At the end of December 2009

INCOME STATEMENT

(In millions of euros)	**4th Quarter 2009** Consolidated *(non audited)*	**End of December 2009** Consolidated *(audited)*	**4th Quarter 2008** Consolidated *(non audited)*	**End of December 2008** Consolidated *(audited)*
Sales	**1 082**	**4 444**	**1 182**	**5 633**
Operating expenses	(947)	(3 911)	(1 068)	(4 840)
Research and development expenses	(34)	(136)	(32)	(150)
Selling and administrative expenses	(87)	(357)	(101)	(393)
Recurring operating income	**14**	**40**	**(19)**	**250**
Other income and expenses	(3)	(109)	(35)	(53)
Operating income	**11**	**(69)**	**(54)**	**197**
Equity in income of affiliates	6	13	2	8
Financial result	(7)	(28)	(9)	(35)
Income taxes	(30)	(87)	(11)	(69)
Net income of continuing operations	**(20)**	**(171)**	**(72)**	**101**
Net income of discontinued operations	**-**	**-**	**-**	**-**
Net income	**(20)**	**(171)**	**(72)**	**101**
Of which minority interests	-	1	-	1
Net income - Group share	**(20)**	**(172)**	**(72)**	**100**
Earnings per share (amount in euros)	*(0,33)*	*(2,85)*	*(1,19)*	*1,65*
Diluted earnings per share (amount in euros)	*(0,34)*	*(2,85)*	*(1,19)*	*1,65*
Depreciation and amortization	(68)	(270)	(66)	(248)
EBITDA	**82**	**310**	**47**	**498**
Adjusted net income	**(2)**	**(49)**	**(41)**	**146**
Adjusted net income per share (amount in euros)	*(0,03)*	*(0,81)*	*(0,68)*	*2,41*
Diluted adjusted net income per share (amount in euros)	*(0,03)*	*(0,81)*	*(0,68)*	*2,41*

BALANCE SHEET

(In millions of euros)	December 31, 2009 (audited)	December 31, 2008 (audited)
ASSETS		
Intangible assets, net	481	466
Property, plant and equipment, net	1 608	1 638
Equity affiliates: investments and loans	59	53
Other investments	21	22
Deferred income tax assets	21	25
Other non-current assets	88	137
TOTAL NON-CURRENT ASSETS	**2 278**	**2 341**
Inventories	737	1 026
Accounts receivable	710	838
Other receivables and prepaid expenses	118	149
Income taxes recoverable	9	22
Other current assets	4	30
Cash and cash equivalents	89	67
Total assets of discontinued operations		
TOTAL CURRENT ASSETS	**1 667**	**2 132**
TOTAL ASSETS	**3 945**	**4 473**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	605	605
Paid-in surplus and retained earnings	1 264	1 476
Treasury shares	-	(1)
Cumulative translation adjustment	(78)	(84)
SHAREHOLDERS' EQUITY - GROUP SHARE	**1 791**	**1 996**
Minority interests	**22**	**22**
TOTAL SHAREHOLDERS' EQUITY	**1 813**	**2 018**
Deferred income tax liabilities	53	47
Provisions and other non current liabilities	791	835
Non-current debt	85	69
TOTAL NON-CURRENT LIABILITIES	**929**	**951**
Accounts payable	603	690
Other creditors and accrued liabilities	233	259
Income taxes payable	20	17
Other current liabilities	2	45
Current debt	345	493
Total liabilities of discountinued operations		
TOTAL CURRENT LIABILITIES	**1 203**	**1 504**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3 945**	**4 473**

CASH FLOW STATEMENT

(In millions of euros)	End of December 2009	End of December 2008
	(audited)	*(audited)*
Cash flow - operating activities		
Net income	(171)	101
Depreciation, amortization and impairment of assets	298	268
Provisions, valuation allowances and deferred taxes	(29)	(56)
(Gains)/losses on sales of assets	(21)	(38)
Undistributed affiliate equity earnings	(8)	(8)
Change in working capital	384	56
Other changes	(1)	8
Cash flow from operating activities	**452**	**331**
Cash flow - investing activities		
Intangible assets and property, plant, and equipment additions	(301)	(335)
Change in fixed asset payables	(46)	5
Acquisitions of subsidiaries, net of cash acquired	(3)	(18)
Increase in long-term loans	(33)	(49)
Total expenditures	**(383)**	**(397)**
Proceeds from sale of intangible assets and property, plant and equipment	27	40
Change in fixed asset receivables	14	(14)
Proceeds from sale of subsidiaries, net of cash sold	3	-
Proceeds from sale of other investments	4	2
Repayment of long-term loans	85	27
Total divestitures	**133**	**55**
Cash flow from investing activities	**(250)**	**(342)**
Cash flow - financing activities		
Issuance (repayment) of shares	-	17
Purchase of treasury shares	(1)	(25)
Dividends paid to parent company shareholders	(36)	(46)
Dividends paid to minority shareholders	(1)	-
Increase/ Decrease in long-term debt	21	20
Increase/ Decrease in short-term borrowings and bank overdrafts	(154)	22
Cash flow from financing activities	**(171)**	**(12)**
Net increase/(decrease) in cash and cash equivalents	31	(23)
Effect of exchange rates and changes in scope	(9)	32
Cash and cash equivalents at beginning of period	67	58
Cash and cash equivalents at end of period	**89**	**67**

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, 2009	**60 454 973**	**605**	**999**	**477**	**(84)**	**(39 707)**	**(1)**	**1 996**	**22**	**2 018**
Cash dividend				(36)				(36)	(1)	(37)
Issuance of share capital										
Purchase of treasury shares						(48 300)	(1)	(1)		(1)
Cancellation of purchased treasury shares										
Grants of treasury shares to employees				(2)		87 600	2			
Sale of treasury shares										
Share-based payments				4				4		4
Other										
Transactions with shareholders				**(34)**		**39 300**	**1**	**(33)**	**(1)**	**(34)**
Net income				(172)				(172)	1	(171)
Income and expenses recognized directly through equity				(6)	6					
Total of recognized income and expenses				**(178)**	**6**			**(172)**	**1**	**(171)**
As of December 31, 2009	**60 454 973**	**605**	**999**	**265**	**(78)**	**(407)**		**1 791**	**22**	**1 813**

RECOGNIZED INCOME AND EXPENSES
(audited)

As of December 31, 2009

En millions of euros	Shareholders' equity - Group share	Minority interests	Total shareholders' equity
Net income	**(172)**	**1**	**(171)**
Hedging adjustments	(9)		(9)
Actuarial gains and losses	(2)		(2)
Change in translation adjustments	6		6
Others items	4		4
Taxes impact	1		1
Total of income and expenses recognized directly through equity	-	-	-
Total of income and expenses recognized	**(172)**	1	**(171)**

INFORMATION BY BUSINESS SEGMENT

(non audited)

(In millions of euros)	4th Quarter 2009 Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group total
Non-Group sales	234	529	316	3	**1 082**
Inter-segment sales	9	23	3	-	
Total sales	**243**	**552**	**319**	**3**	
Recurring operating income	**(30)**	**44**	**6**	**(6)**	**14**
Other income and expenses	**(8)**	**(4)**	**7**	**2**	**(3)**
Operating income	**(38)**	**40**	**13**	**(4)**	**11**
Equity in income of affiliates	5	-	1	-	6
Depreciation and amortization	(12)	(33)	(23)	-	(68)
Asset impairment	-	(1)	-	-	(1)
Changes in non-current provisions recognized through income	1	6	8	44	59
EBITDA	**(18)**	**77**	**29**	**(6)**	**82**
Intangible assets and property, plant and equipment, additions	**16**	**41**	**29**	**1**	**87**
Of which exceptional capital expenditures	-	1	1	-	2

(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)
EBITDA	**(24)**	**65**	**14**	**(8)**	**47**
Intangible assets and property, plant and equipment, additions	**42**	**60**	**41**	**3**	**146**
Of which exceptional capital expenditures	5	6	-	-	11

INFORMATION BY BUSINESS SEGMENT

(audited)

(In millions of euros)	End of December 2009				
	Vinyl Products	**Industrial Chemicals**	**Performance Products**	**Corporate**	**Group total**
Non-Group sales	1 005	2 109	1 318	12	**4 444**
Inter-segment sales	39	95	12	-	
Total sales	**1 044**	**2 204**	**1 330**	**12**	
Recurring operating income	**(80)**	**177**	**11**	**(68)**	**40**
Other income and expenses	**(9)**	**(85)**	**(1)**	**(14)**	**(109)**
Operating income	**(89)**	**92**	**10**	**(82)**	**(69)**
Equity in income of affiliates	12	-	1	-	13
Depreciation and amortization	(49)	(129)	(91)	(1)	(270)
Asset impairment	-	(28)	(1)	-	(29)
Changes in non-current provisions recognized through income	26	(30)	14	70	80
EBITDA	**(31)**	**306**	**102**	**(67)**	**310**
Intangible assets and property, plant and equipment, additions	**49**	**127**	**121**	**4**	**301**
Of which exceptional capital expenditures	1	10	28	-	39

(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
EBITDA	**14**	**341**	**177**	**(34)**	**498**
Intangible assets and property, plant and equipment, additions	**98**	**146**	**86**	**5**	**335**
Of which exceptional capital expenditures	19	15	-	-	34