



# Shareholders newsletter

## MESSAGE FROM THIERRY LE HÉNAFF



### *Chairman and Chief Executive Officer*

Dear Shareholders,

Arkema achieved by far its best historical performance in 2010, in terms of EBITDA, EBITDA margin, and net income. The levels reached are well above those of pre-crisis years and the targets the Group had set at the time of its spin-off in 2006. Beyond the strong recovery of the economy, this performance reflects 5 years of in-depth transformation for the Group, and is the concrete result of the internal work achieved in the last few years.

The business portfolio has shifted extensively over these last five years. We have increased our presence in emerging countries, in particular in Asia where we achieved 18% of our sales in 2010. We are also drawing the benefits from launching on the market a large number of products for fast-growing sectors related to sustainable development, including new energies and bioplastics. Finally, our cost structure has been reduced significantly, which has enabled us to take full advantage of the volume recovery in 2010.

We have begun 2011 with confidence. On the manufacturing side, 2011 will see several plant start-ups in China, and we will continue to capitalize on the growth of new products developed from our innovation. Another major event in the year will be the closing of the Total's resins acquisition announced last December, which will represent yet another milestone in our transformation, making Arkema one of the leaders in the coatings materials market.

With the Board of Directors, we have decided to propose to the Annual General Meeting a dividend of €1 per share for 2010. This dividend, a 67% increase over 2009, reflects the very significant recovery in our results and our excellent cash generation, and translates our intention to continue to enable our shareholders to take part in our Group's performance and transformation. In the future, Arkema intends to pay every year a stable to reasonably rising dividend.

Thank you again for your loyalty and for your confidence in our Group. I look forward to seeing you again at our next Annual General Meeting on May 24<sup>th</sup> 2011, 10:30am, at the Palais des Congrès in Paris.

**THIERRY LE HÉNAFF**  
*Chairman and Chief Executive Officer*

**KEY**  
*figures*  
2010

Sales:  
**€5,905M**  
(+33%)

EBITDA:  
**€790M**  
(x2.5)

Net income:  
**€347M**  
(Group share)

Net debt:  
**€94M**  
(4% gearing)

Dividend:  
**+67%**  
(€1 per share)

**INTERVIEW WITH THIERRY LEMONNIER,**  
*Group's Chief Financial Officer*



**In 2010, Arkema achieved its best historical performance. What main points would you highlight from the Group's annual results?**

Sales grew to €5.9 billion in 2010, a 33% increase over 2009. The Group's EBITDA was multiplied by 2.5 compared to 2009, reaching its highest historical level at €790 million. EBITDA margin rose to 13.4% of sales, above the 12% target set at the time of Arkema's spin-off, when it was just 6%. Finally, net income stood at €347 million, while our highest historical level until then was €122 million in 2007. Additionally, the Group once more generated highly positive cash flow, and net debt again was significantly reduced to €94 million.

**What main factors contributed to the 2010 performance?**

There was of course an improvement in market conditions compared to 2009, which was marked by low demand and substantial de-stocking by our customers. But beyond this improvement in the economic environment, the Group has fully capitalized on internal growth projects, launched as part of its transformation strategy, including:

- new value added products developed by R&D in applications related to sustainable development such as photovoltaics, bioplastics, lithium-ion batteries, etc.,
- the new fluorogas plant that came on stream in the second quarter in China and which is now running at full capacity,
- the acrylics activities acquired in North America in January 2010, which have recorded an excellent performance, well above our initial expectations.

Meanwhile, the Group continued to implement the strict control of its fixed costs, as well as its price increase policy which fully offset rises in raw material costs. All these elements have enabled us to benefit fully from the recovery in volumes, and to achieve results significantly above those of pre-crisis years.

Accordingly, the strategy launched at the time of Arkema's creation has resulted in the highest historical financial performance, and so we can look forward with confidence to the second phase of the Company's transformation.

**So what are your objectives for Arkema's new development phase which began this year?**

Last November we announced an ambitious 5-year growth plan, with target sales of around €7.5 billion and EBITDA above €1 billion in 2015. Therefore, for the 2011 to 2015 period, the Group is actively pursuing its transformation, and is entering a phase of more sustained growth.

# 2010 *news*



## MANY SUCCESSES IN SUSTAINABLE DEVELOPMENT

In 2010, the Group actively continued its drive to meet an ever-growing demand for eco-technologies. Accordingly, Arkema now achieves an increasing share of its sales through new products developed from its innovation on sustainable development.

**A high-end plastic** used in photovoltaic panel modules, lithium-ion batteries and water treatment, Kynar® is developing fast. To meet the very high demand for this product in Asia, Arkema has announced the start-up of its Kynar® plant in China in March, while already planning a 50% capacity increase due to be operational in 2012.

**Development of bio-sourced polyamides.** In April 2010, Arkema concluded a strategic agreement with the Japanese company Toyobo for the development of high temperature polyamides made from over 70% renewable raw materials, targeting the electronics and automotive markets. The Group already offers a wide range of bio-sourced products, including Rilsan®, a polymer of 100% renewable origin processed from castor oil.

With its **Kynar Aquatec® innovation**, a choice coating for reflective and energy-efficient roofing, **Arkema was awarded with the Pierre Potier 2010 prize** that rewards companies engaged in innovation in sustainable development.



## ACQUISITIONS TO REINFORCE OUR PRODUCT PORTFOLIO

### On January 25 2010, Arkema finalized the acquisition of certain acrylic assets from Dow in North America.

This provided Arkema with a comprehensive acrylics activity in North America, while also raising the Company to 3<sup>rd</sup> place in the world among acrylic acid producers. From the very first year of integration, this activity accounted for sales of €430 million and contributed to net income well above the Group's initial expectations.

### On October 5 2010, Arkema announced the acquisition of the French start-up company Piezotech.

This French company designs and manufactures ultra high performance polymers which will soon have high added value applications, and should enable the Group to access new markets such as energy storage in cars.

### On December 7 2010, Arkema announced a project to acquire Total's coatings and UV-curing resins activities.

Once integrated within Arkema, these activities should account for annual sales of some €750 million (based on 2010 figures). They employ 1,750 people at some twenty sites around the world. This operation will turn Arkema into a world leader in the coatings resin market while also strengthening the acrylic downstream activities of the Group.

## A GROWING PRESENCE IN ASIA

Increasing its presence in Asia represents one of the Group's strategic development areas. In 2010, Arkema achieved over 18% of its sales in Asia (against 13% in 2005), and continued to increase its presence in China with new developments on its Changshu site:

- In May 2010, Arkema and Daikin brought successfully on stream a **world-scale fluorogas production unit**. This unit, now running at full capacity, made a significant contribution to the Group's results in 2010.
- In November 2010, Arkema also announced the construction of a plant to manufacture **emulsions for paints**, due to come on stream end of 2012. This new facility, together with the commissioning of Coatex's specialty acrylic polymer unit scheduled for mid-2011, will strengthen the supply of coating materials in the region.
- Arkema has announced a threefold increase in high performance **polyamide production capacities** on its Changshu site by 2013.
- Finally, Arkema has confirmed the start-up in March 2011 of its new **Kynar® resin production unit**. The capacity of this plant will be increased by 50% by mid-2012.

Meanwhile, in partnership with the Korean company CheilJedang, Arkema has announced a project for the construction in Asia of a **Thiochemicals platform (sulfur derivatives)** and a world-scale plant for bio-methionine, an amino acid used in animal feed.



# Shareholders' *diary*

## 2011 ANNUAL GENERAL MEETING

**The next Combined Ordinary and Extraordinary General Meeting of Arkema's shareholders, chaired by Thierry Le Hénaff, will be held on Tuesday May 24, 10.30am, at the Palais des Congrès in Paris.**

If you own registered shares or more than 500 bearer shares, the Notice of Meeting will be sent automatically to your home address end of April.

If you do not fulfil these conditions, your Notice of Meeting will be available from your financial intermediary. At your request, your financial intermediary will carry out the necessary formalities for you to receive an admission card or a postal vote form. The full agenda, together with all practical information on the Annual General Meeting, are available on the Group's website [www.finance.arkema.com](http://www.finance.arkema.com).

The main resolutions on the AGM's agenda pertain to the following points:

- **Payment of dividend** (3<sup>rd</sup> resolution)

A dividend of €1 per share for 2010, 67% up on 2009, will be submitted to you for approval. It will be paid on June 1<sup>st</sup> 2011.

- **Renewal of directors mandate**

(5<sup>th</sup> to 7<sup>th</sup> resolutions):

The Board of Directors recommends that you renew, for a four-year period, the terms of office of the following 3 directors, all of whom are deemed independent:

- Mrs Isabelle Kocher,
- Mr François Enaud,
- Mr Laurent Mignon.

A presentation of these 3 directors features in the Notice of Meeting.

- **Amendment to Articles of Association regarding shareholder representation at annual general meetings**

(11<sup>th</sup> resolution): In order to align the Articles of Association with the new legal requirements, you are asked to broaden the rules governing shareholder representation at annual general meetings. Until now, a shareholder could be represented at annual general meetings by another shareholder or by his/her spouse. In accordance with the amendments made to the French Commercial Code (*Code de commerce*) related to representation at annual general meetings, a shareholder may now also be represented by a partner with whom he/she has entered into a civil partnership or by any other natural person or legal entity of his/her choice, under the conditions provided for in articles L.225-106 et seq. of the French Commercial Code.

## FOCUS

### Composition of Arkema's Board of Directors:

- **11 directors**, 9 of whom independent
- **3 committees** (Audit and Accounts Committee, Strategy Committee, and Nominating, Compensation and Corporate Governance Committee)
- **5 Board meetings in 2010 with a 91.5% average attendance rate**



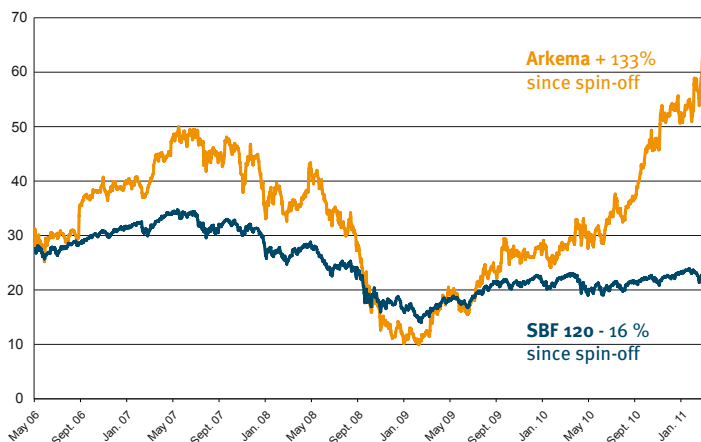
The Arkema Shareholders Club invites its members to a number of events enabling them to find out about the Group and the world of Chemistry:

- **On March 22**, Arkema, as a sponsor of *Palais de la découverte*, organized a tour of this venue dedicated to science and education. The participants were able to discover animations designed for the International Year of Chemistry.
- **On May 9**, Arkema is organizing a visit to the dyeing workshops of *Manufacture des Gobelins* as well as a tour of the Gobelins district.

## SHARE PERFORMANCE

*since spin-off*

### Share price as at March 31 2011



### PERFORMANCE SINCE DECEMBER 31 2009

**High:**  
€64.81

**Low:**  
€23.71

**Variation:**  
Arkema : 147%  
SBF 120 : 5%

- **Spin-off**  
*May 18 2006*
- **ISIN**  
*FR0010313833*
- **Market capitalization**  
*€3.9 bn*
- **Number of shares**  
*61 605 820*
- **Indices**  
*SBF 120*  
*CAC MID 60*  
*DJ Stoxx Chemicals*

### Shareholders Relation

**N° Vert 0 800 01 00 01**

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[www.finance.arkema.com](http://www.finance.arkema.com)

### FINANCIAL *calendar*

- May 5 2011**  
*1<sup>st</sup> quarter 2011 results*
- May 24 2011**  
*Annual General Meeting*
- August 2 2011**  
*1<sup>st</sup> semester 2011 results*