



## **FRENCH EQUITY SEMINAR**

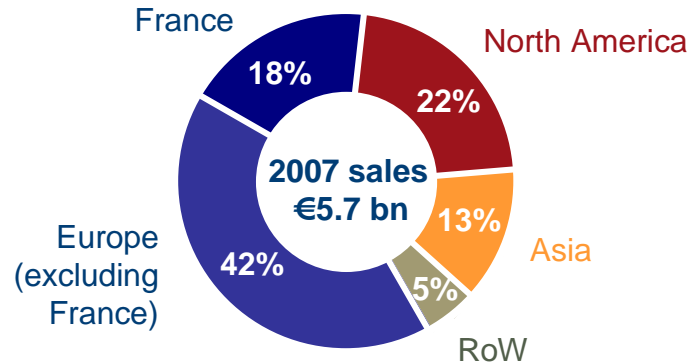
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Thierry Lemonnier, CFO

➔ December 16<sup>th</sup> 2008

# Arkema at a glance

## Diversified geographic base

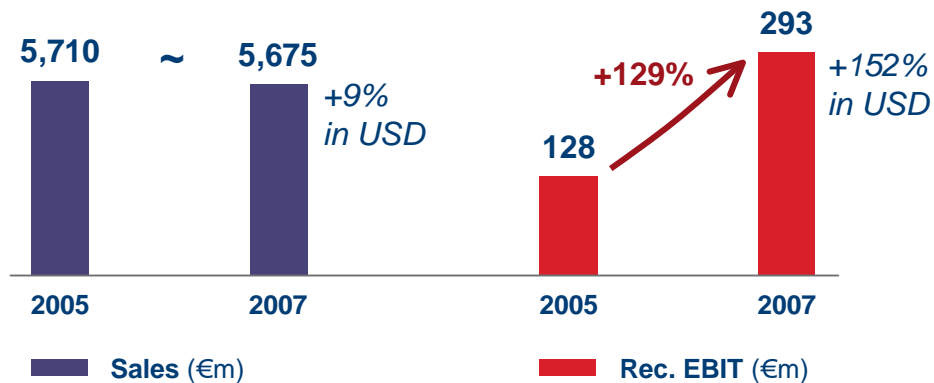


## Diversified end markets

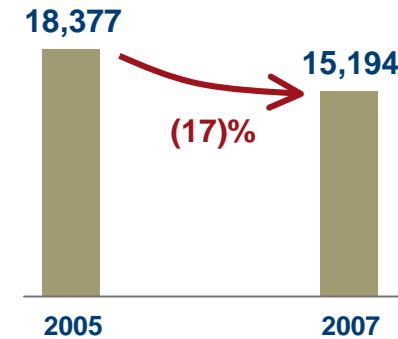
### % of Arkema sales

15 to 20% for each	<ul style="list-style-type: none"> <li>Chemical industry</li> <li>Construction</li> </ul>
5 to 10% for each	<ul style="list-style-type: none"> <li>Electronics</li> <li>Coating &amp; adhesives</li> <li>Automotive</li> <li>Packaging</li> <li>General industry</li> </ul>
<5% for each	<ul style="list-style-type: none"> <li>Oil &amp; Gas</li> <li>Energy</li> <li>Paper</li> <li>Environment sector</li> <li>Animal nutrition</li> <li>Health &amp; hygiene</li> <li>Sport &amp; leisure</li> <li>Infrastructure</li> </ul>

## Performance turnaround



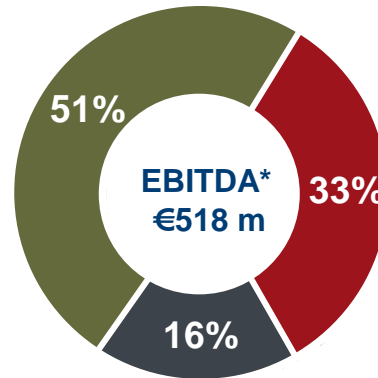
## Headcount



# Business segments

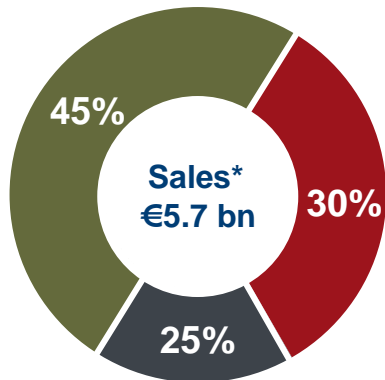
## Industrial Chemicals

- World leading positions on integrated chemical lines
- Growing end markets



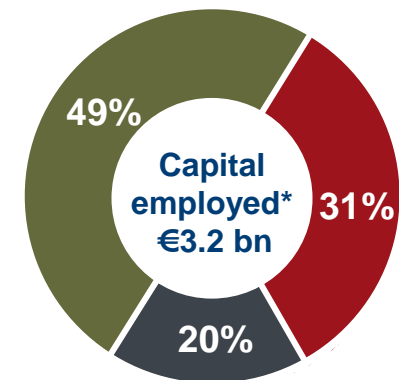
## Performance Products

- Innovative solutions
- World leadership in niche segments



## Vinyl Products

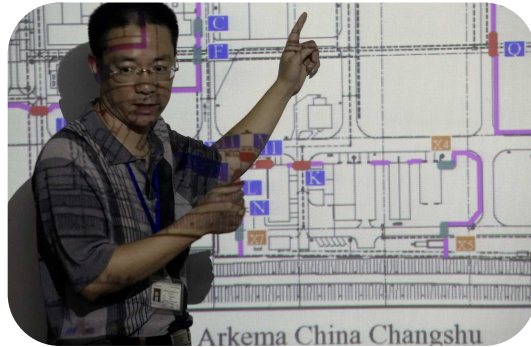
- Well integrated caustic soda and PVC producer
- # 3 in Europe in PVC



# A clear path forward



Reduce  
fixed costs



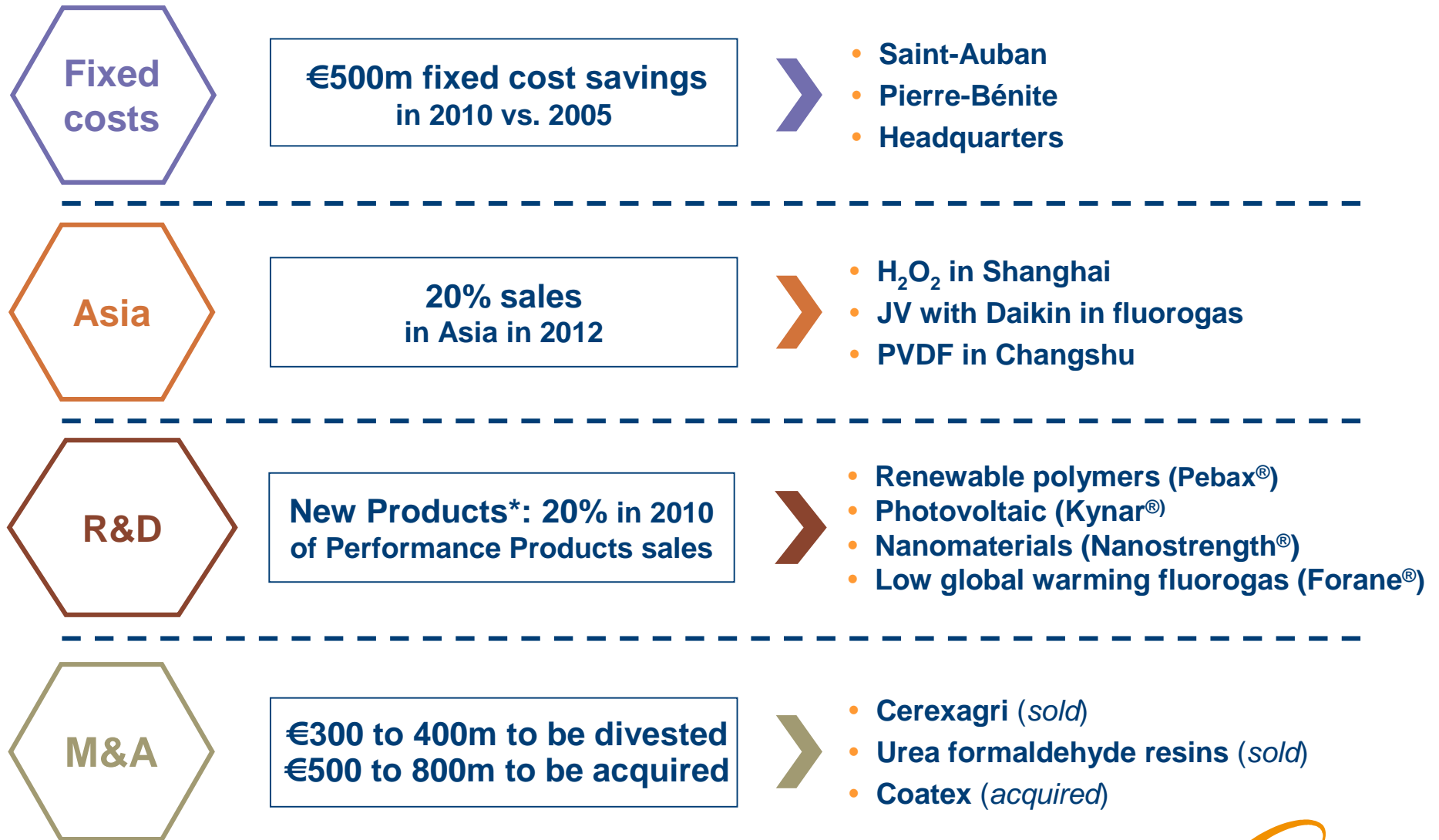
Accelerate  
business  
development  
in Asia



R&D  
focused  
on new  
markets

*Portfolio  
management  
to speed up  
transformation*

# Clear targets, quick implementation



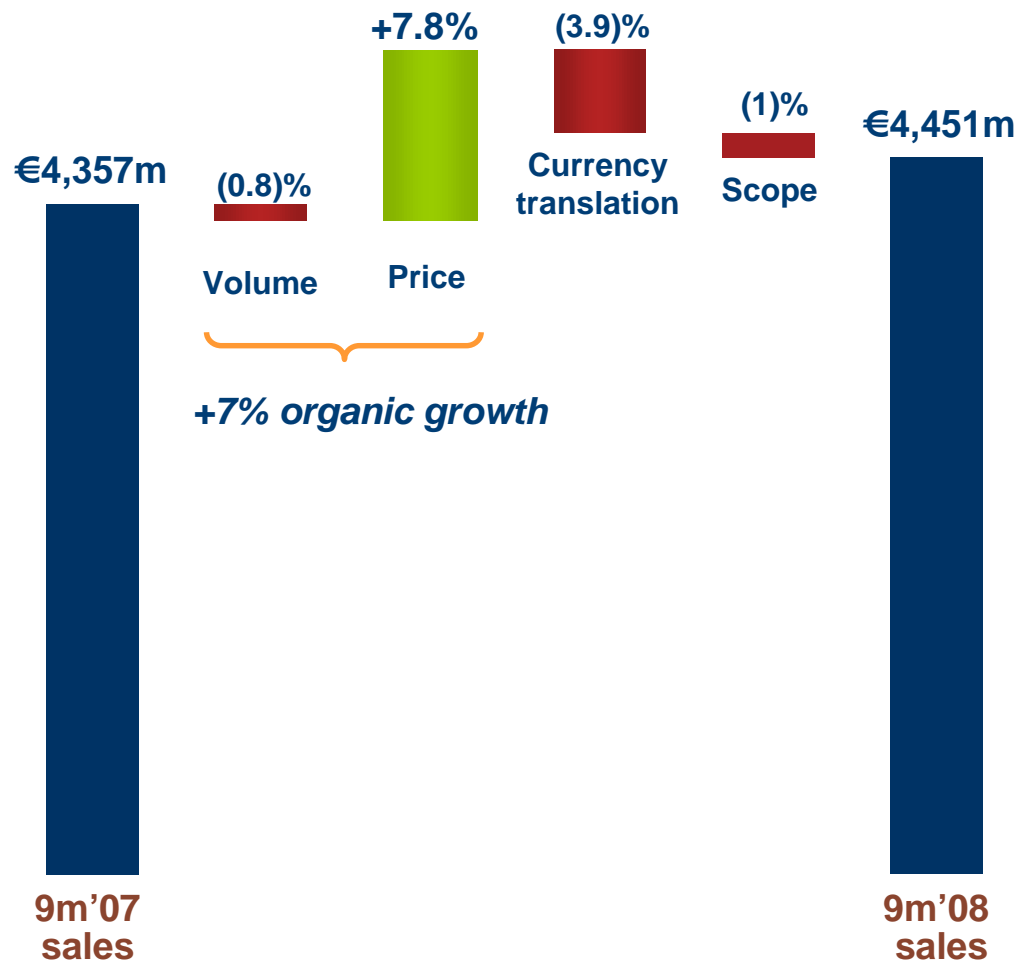
# Results and prospects

••• *Progression supported by structural projects*

# 9m'08: Solid set of results

	3Q'07	3Q'08	Variation	9m'07	9m'08	Variation
Sales	1,380	1,450	+5.1%	4,357	4,451	+2.2%
<b>EBITDA</b>	<b>127</b>	<b>134</b>	<b>+5.5%</b>	<b>411</b>	<b>451</b>	<b>+9.7%</b>
<b>EBITDA margin</b>	<b>9.2%</b>	<b>9.2%</b>		<b>9.4%</b>	<b>10.1%</b>	
Operating income (rec.)	75	72	(4.0)%	252	269	+6.7%
Non recurring items	(9)	(8)		(88)	(18)	
Adjusted net income	47	47	-	166	187	+12.7%
<b>Net income (group share)</b>	<b>37</b>	<b>40</b>	<b>+8.1%</b>	<b>104</b>	<b>172</b>	<b>+65.4%</b>
Net debt (09/30/2008 vs. 12/31/2007)	459	580				

# Strong price increases in each business unit



## Sales by segment

	Vinyl Products	Industrial Chemicals	Performance Products
Volume	++	-	--
Price	++	+++	+++
Currency translation	-	---	--
Scope	=	++	---

Legend:

+: [0.5-2.5]%

++: [2.5-5]%

+++ : >+5%

= : +/- 0.5%

--: [(0.5)- (2.5)]%

---: [(2.5)- (5)]%

----: <(5)%





# Solid EBITDA growth in a challenging environment

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## EBITDA up 9.7% at €451m

- +7.8% price increases in each business unit
- Remaining PVC margin squeeze

## Benefits from structural improvements

- Implementation of structural projects in line with the €100m EBITDA impact for 2008
- Contribution from growth projects:
  - Molecular Sieves in Inowroclaw
  - HFC-32 & PVDF in Calvert-City (US)
  - Developments in methylmercaptan derivatives
- Successful integration of Coatex

## In a tougher environment

- Unfavorable €/€ exchange rate
- Slowdown of automotive and construction markets in 3Q'08
- Strong volatility of raw material and energy prices

 **Good resilience of Arkema's results** 



# 2008 outlook

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## ❖ **Global demand declining at an unprecedented rate in 4Q'08:**

- Significant slowdown in demand
- Customer destockings
- Cancelled orders at short notice
- Decrease in 4Q'08 sales estimated at 15 % compared to 4Q'07
- 2008 EBITDA margin at around 9%

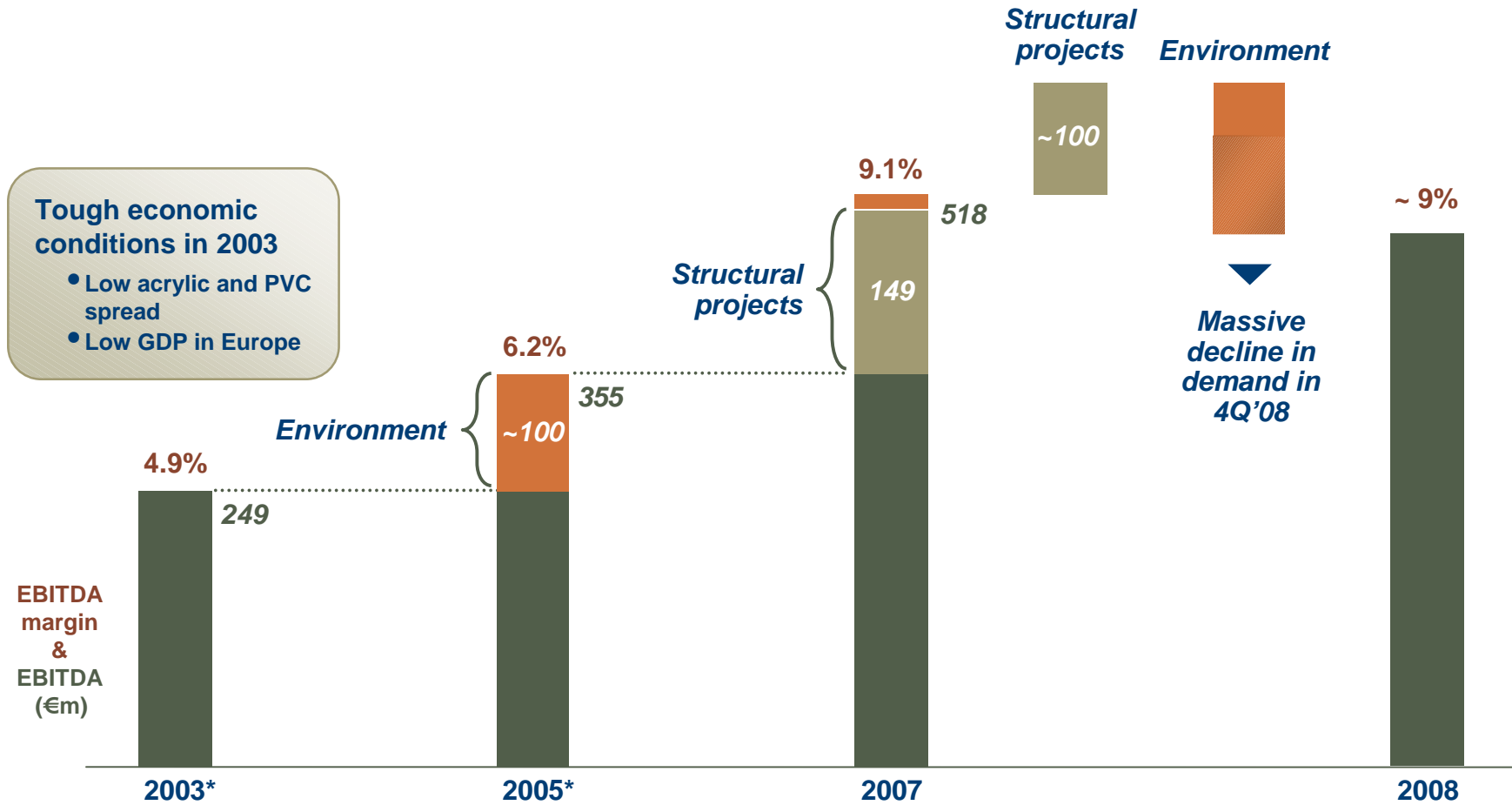
## ❖ **Actions taken to position Arkema for a downturn**

- Since 2005, headcount reduced by 20% and > €330m fixed cost savings
- Quick adaptation of capacity utilization in 4Q'08 to lower level of demand
- New initiatives announced\* end November resulting in €65m savings
- New productivity plan announced leading to €50m savings on top of the current €500m plan

## ❖ **Strong balance sheet at the end of the year with a 30% gearing**



# 2003 to 2008: resilience significantly increased



# Towards 2010: Update on fixed cost savings



+€220m	fixed cost savings
€(80)m	inflation on fixed costs
€(60)m	volume loss from restructurings
<u>+€80m</u>	impact from restructuring initiatives
<u>+€20m</u>	gains on variable costs
<b>+€100m</b>	productivity

❖ New initiatives announced\* end November: €65m full year savings (€47m by 2010)

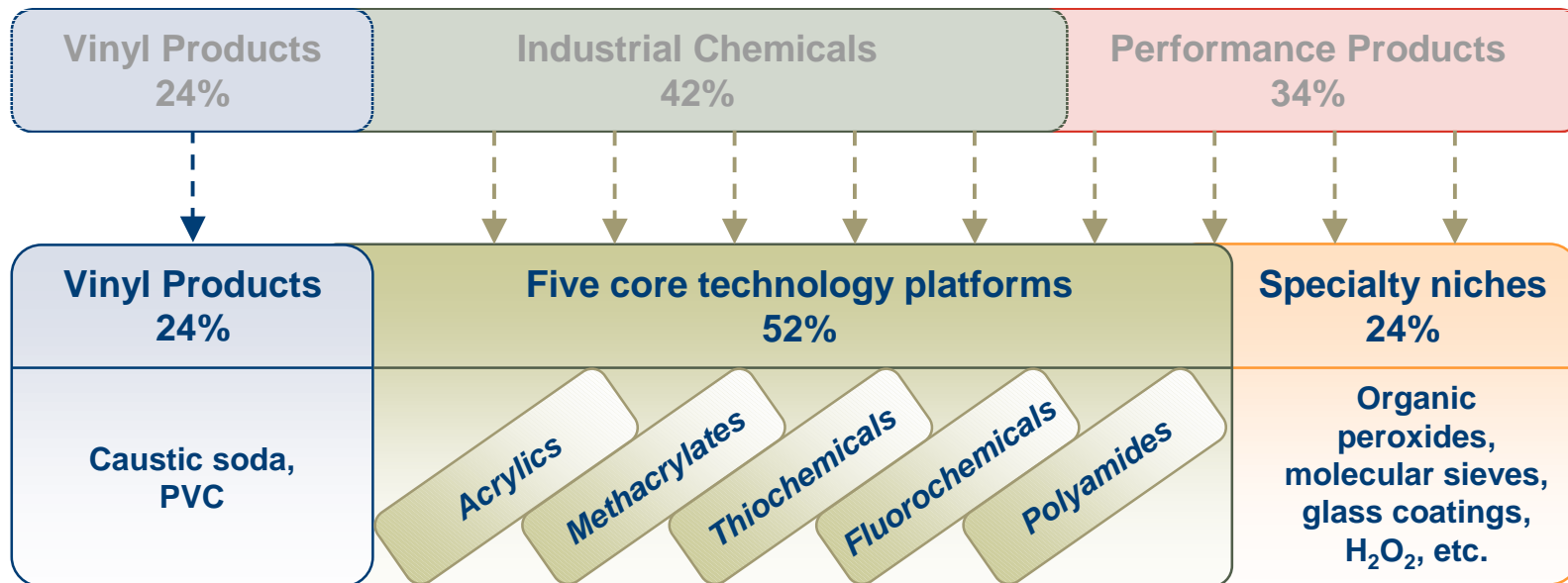
❖ Another €50m savings on top of the €500m plan





 ***An attractive portfolio:  
sustainable long term prospects***

# Quality of the portfolio



# Vinyl Products

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## **2005: Launch of Chlorochemicals consolidation plan**

- 15% headcount reduction
- Significant increase in production reliability
- Additional savings in G&A (streamlined organization)

 **From 2008: break-even in low-cycle conditions**

## **2008-2010: Further improvement**

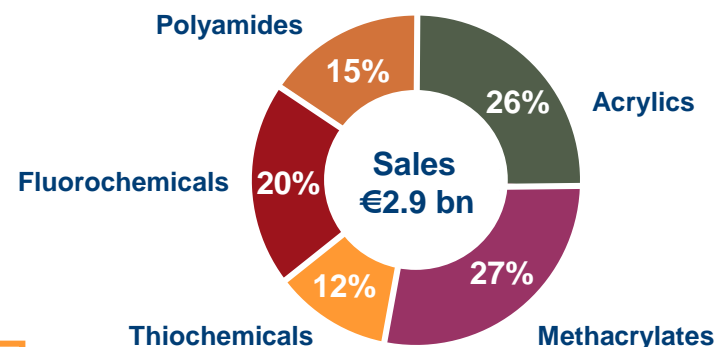
- High energy and raw material costs
- Additional improvement of fixed and variable costs
- Close attention to structural changes in the sector (consolidation, Eastern Europe growth, new energy context)

 **7 to 9% EBITDA margin in mid-cycle conditions in 2010**

# Five core technology platforms

	Strategic raw materials	Integrated chain	
		Monomers / intermediates	Polymers / downstream
Acrylics	Propylene	Acrylic acid	Coatex / impact modifiers
Methacrylates	Propylene / methanol	MMA	PMMA (Altuglas®, Plexiglas®)
Thiochemicals	Sulfur	Methylmercaptan	DMDS
Fluorochemicals	Fluor spar	HCFC 140 / VF2	PVDF Kynar®
Polyamides	Castor oil / Butadiene	Amino 11 / Lactame 12	Rilsan® / Pebax®

- Leadership positions
- Small number of competitors
- Growth > GDP
- Proprietary technologies
- High value added downstream



EBITDA margin potential: 15 to 20%\*





# Specialty niches

Organic peroxides, surfactants, molecular sieves, glass coatings, oil additives, hydrogen peroxide, etc.

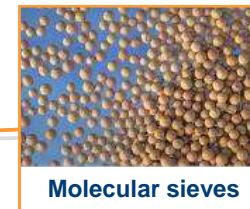
Diversified end markets

Paper, polymers, packaging, petrochemicals, oil & gas, construction, food and beverage, detergents, cosmetics, automotive, glass

Competitors

Evonik, Akzo Nobel, Chemtura, Rohm & Haas, Solvay, etc.

- Focused portfolio
- Growing niche end markets
- Unique R&D pipeline
- Leadership positions
- Customized grades
- Bolt-on acquisitions



EBITDA margin potential > 15%

# Disclaimer

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The information disclosed in this document may contain forward-looking statements with respect to the financial condition, 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 materials 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.

Financial information related to 2003, 2004 and 2005 is extracted from pro forma financial statements presented in the 2006 prospectus for the listing of Arkema shares. Financial information for 2006, 2007 and 2008 is extracted from the consolidated financial statements of Arkema. Quarterly financial information is not audited.

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

A global chemical player, Arkema consists of 3 coherent and related business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries with 15,200 employees, Arkema achieves sales of 5.7 billion euros. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets

