



# Creating our future

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December 2007

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# Company overview

# Arkema overview

## Strong leadership positions

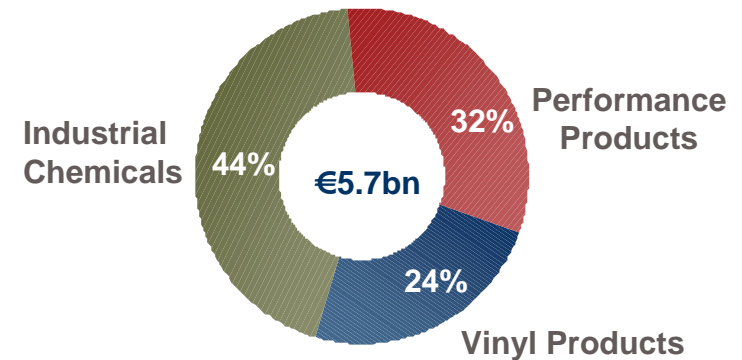
- #1 to #3 worldwide on most product lines in Industrial Chemicals and Performance Products segments
- #3 in Europe in PVC

## Well diversified end markets

## Strong asset base and technical expertise

- R&D expenses: around 3% of sales
- Recurring capex: around €300m

Sales by segment\*

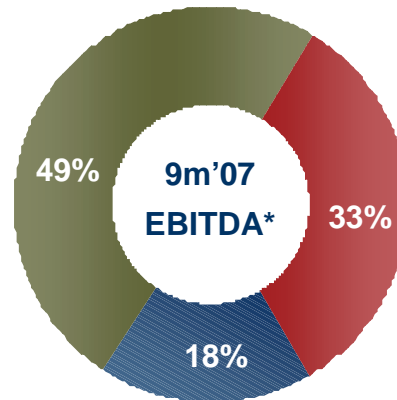


# Three business segments

## Industrial Chemicals

- Intermediates for a large number of industrial sectors
- World leading positions

6 BUs incl. "Acrylic Specialty Polymers" (Coatex)



## Vinyl Products

- A well integrated PVC producer
  - # 3 in Europe in PVC
- 4 business units



## Performance Products

- Innovative chemical solutions
- Among world leaders in niche markets

3 business units



# A radical transformation of the company

› Supported by a unique density of projects



*Restore profitability through cost savings*

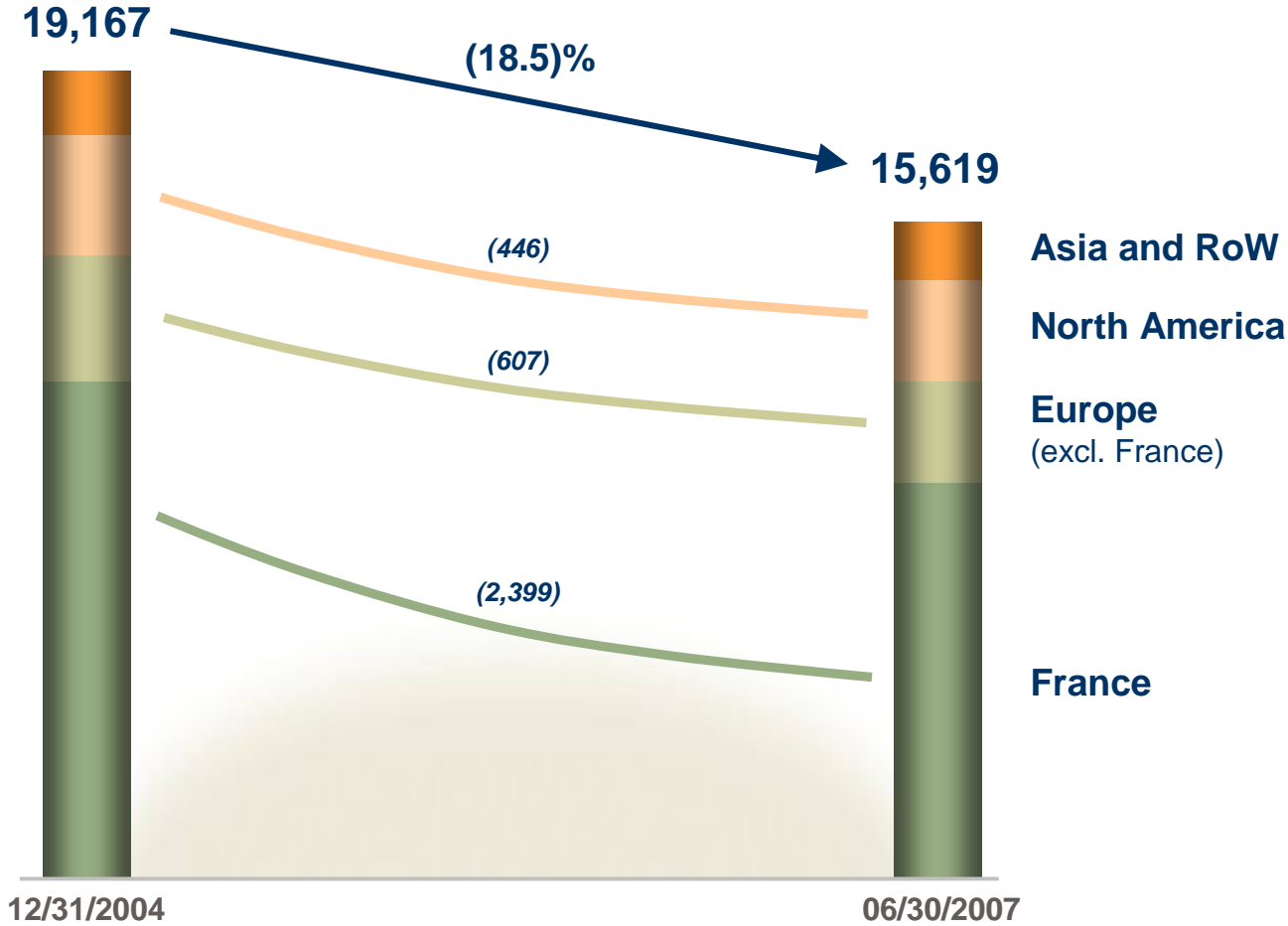


*Prepare the longer term with growth projects*



› Accelerated by selective portfolio management

# Headcount evolution



*Of which 660 related to the disposal of Cerexagri*



# Transformation pace drives 2007 results



## Cost saving plans on track

- €40m fixed cost savings (1H'07 vs 1H'06)
- €75m additional savings announced in 9m'07



## Active portfolio management

- Divestiture of Cerexagri, Amines of Riverview, UF resins of Leuna, water treatment
- First acquisition in acrylic polymers - *"The perfect fit"*



## Building growth for the future

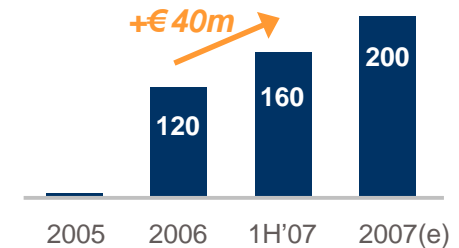
- MOU with ESSAR to produce acrylics in India
- Expansion of molecular sieve production at Inowroclaw (Poland)
- Start-up of HFC32 unit at Calvert-City (US)
- Partnership with Daikin for new generation HFC refrigerant gas



## Organisational and cultural changes

- Strong senior management in place
- Corporate streamlined and transfer of headquarters
- Compensation tied to performance

Cumulative fixed cost savings (in €m)



# Arkema in a nutshell

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- › **Successful spin off on May 2006**
- › **Management ability to deliver commitments**
- › **High density of value creative projects**
- › **Rock-solid balance sheet**
- › **A platform for further significant growth**

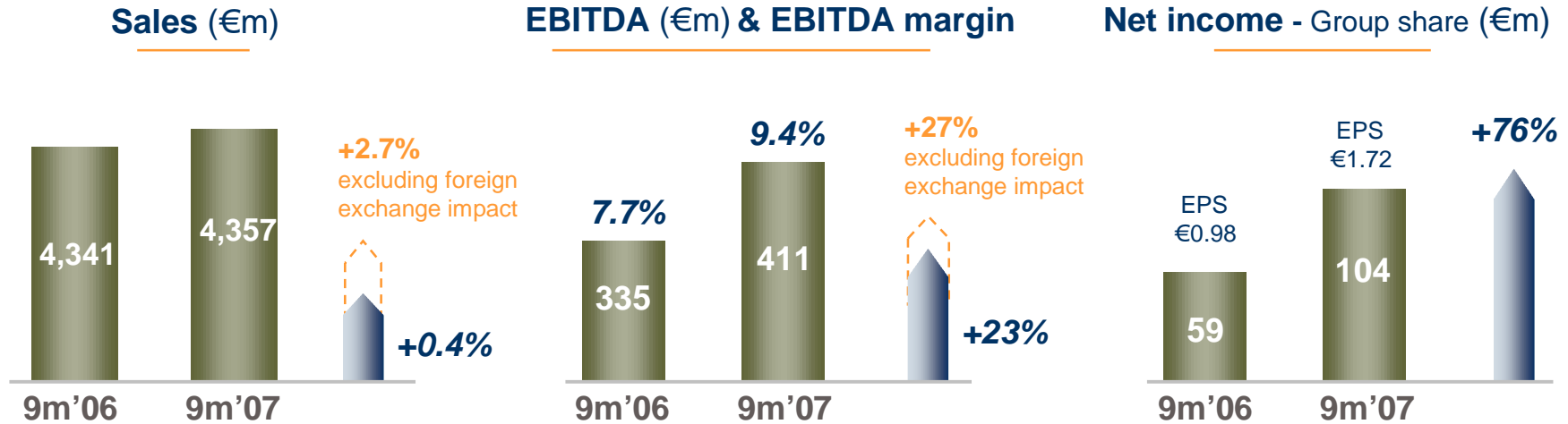


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# 9m'07 overview

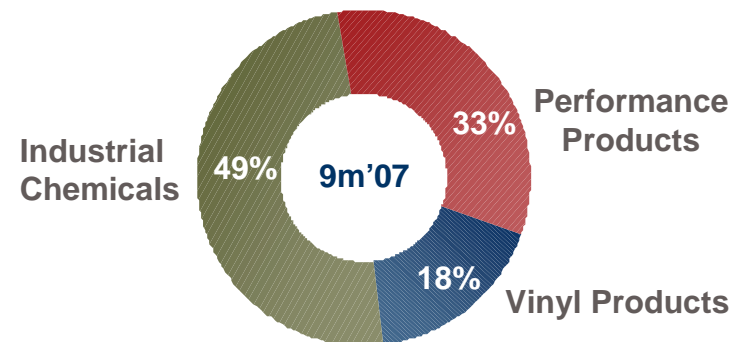
## Strong set of results

# Strong EBITDA growth based on self help



*Over 50% of EBITDA increase coming from restructuring initiatives*

**EBITDA by segment\***



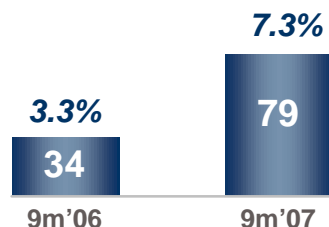
# Financial targets exceeded

	9m'07 results	Initial 07 targets
<b>EBITDA growth</b>	+23%	+10 to 15%
<b>Net income</b> <i>(group share)</i>	€104m <i>(including €88m of NR items)</i> +76% vs 9m'06	> 0
<b>Cash flow</b> <i>(excluding impact from portfolio management and pre-spin off NR items)</i>	€113m	> 0
<b>Gearing</b>	16%*	< 40%



# Better contribution of segments

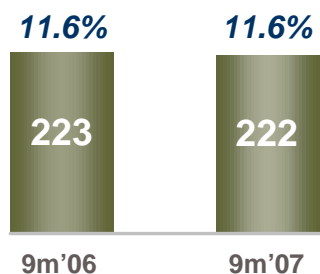
## Vinyl Products



## Dramatic improvement of results

- Strong demand in PVC and caustic soda in Europe
- Savings from chlorochemicals consolidation plan
- Restructuring initiatives launched in profiles and compounds
- 2/3 environment – 1/3 self-help

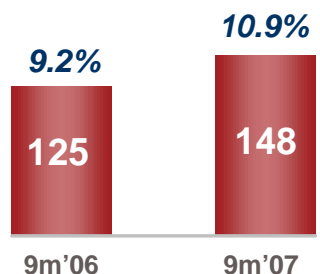
## Industrial Chemicals



## Better balance of business unit results

- Overall favorable market conditions despite challenging environment in Acrylics and Fluorochemicals
- First impact of restructuring plans (Thiochemicals, PMMA, Fluorochemicals)
- Contribution from selected growth initiatives (Beaumont, PMMA, H<sub>2</sub>O<sub>2</sub>)

## Performance Products



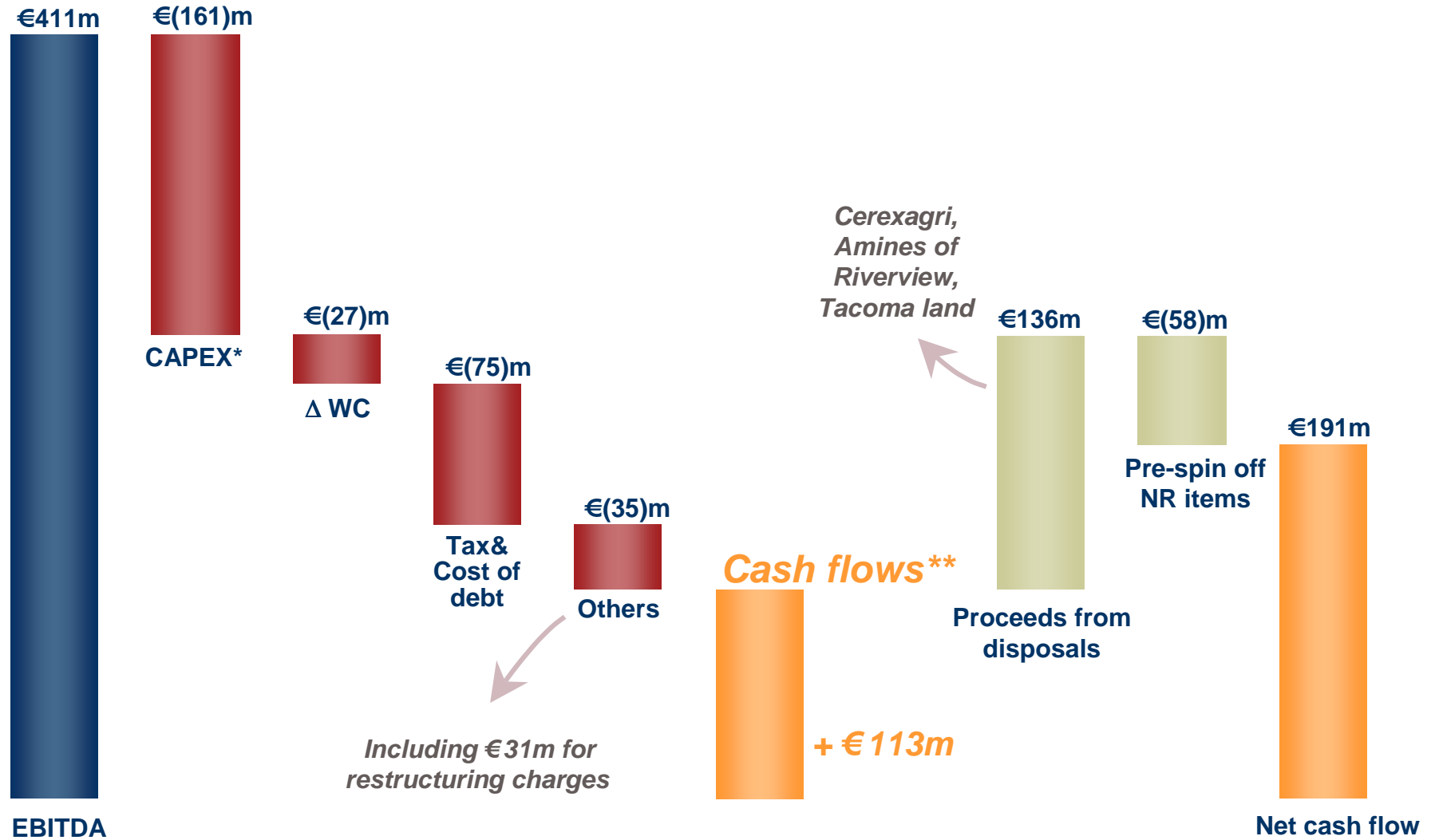
## EBITDA margin at almost 11%

- Emphasis on costs: benefits from VSP, merger of BUs, Mobile/Carrollton and new actions launched
- Good demand overall despite tougher market conditions in Functional Additives
- Divestment of Cerexagri and UF resins: from 6 to 3 BUs
- Negative impact from USD exchange rate

EBITDA (€m) & EBITDA margin



# Solid cash flow for the first nine months

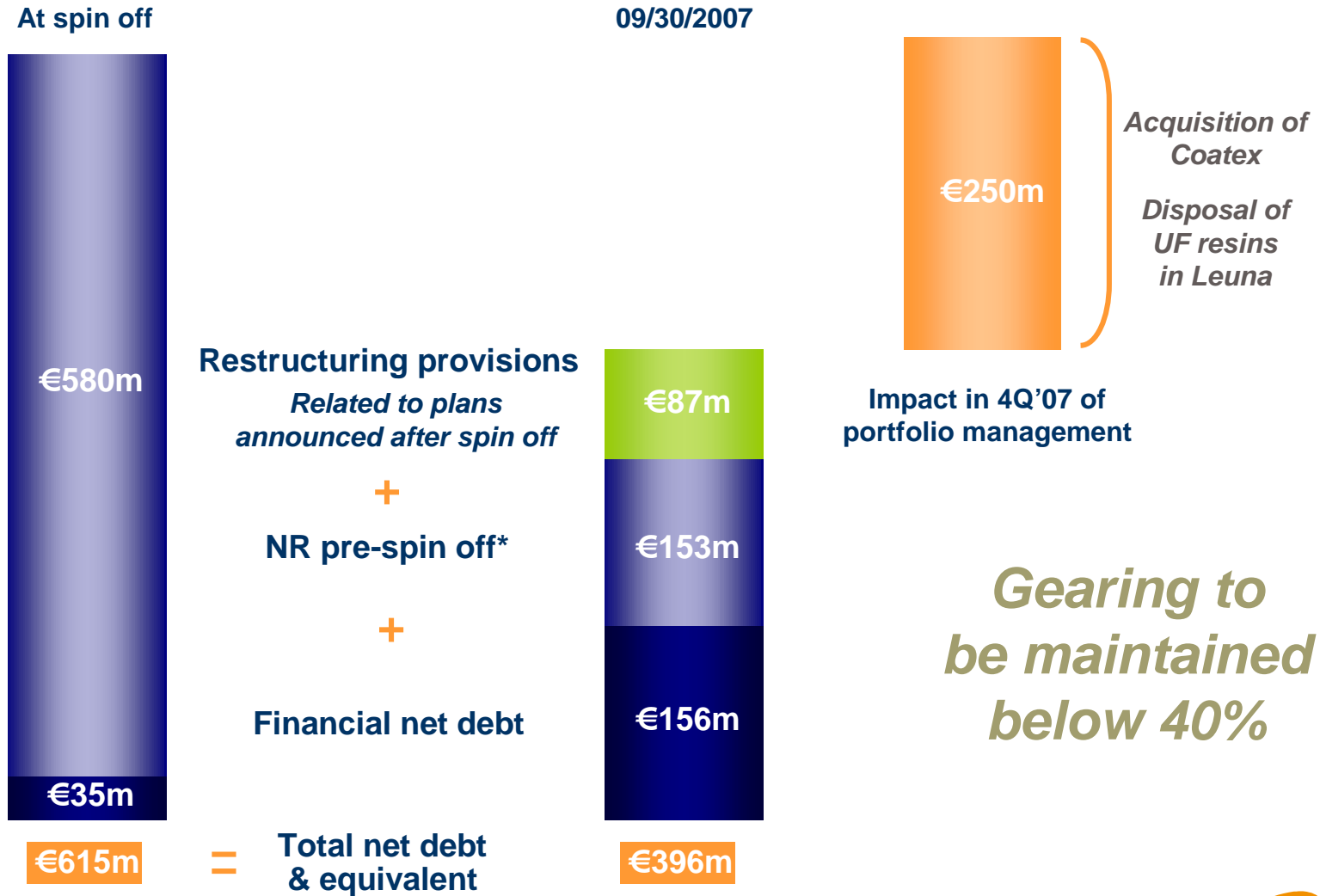


\* Excluding capex related to Vinyl Products restructuring plan (included in pre-spin off NR items)

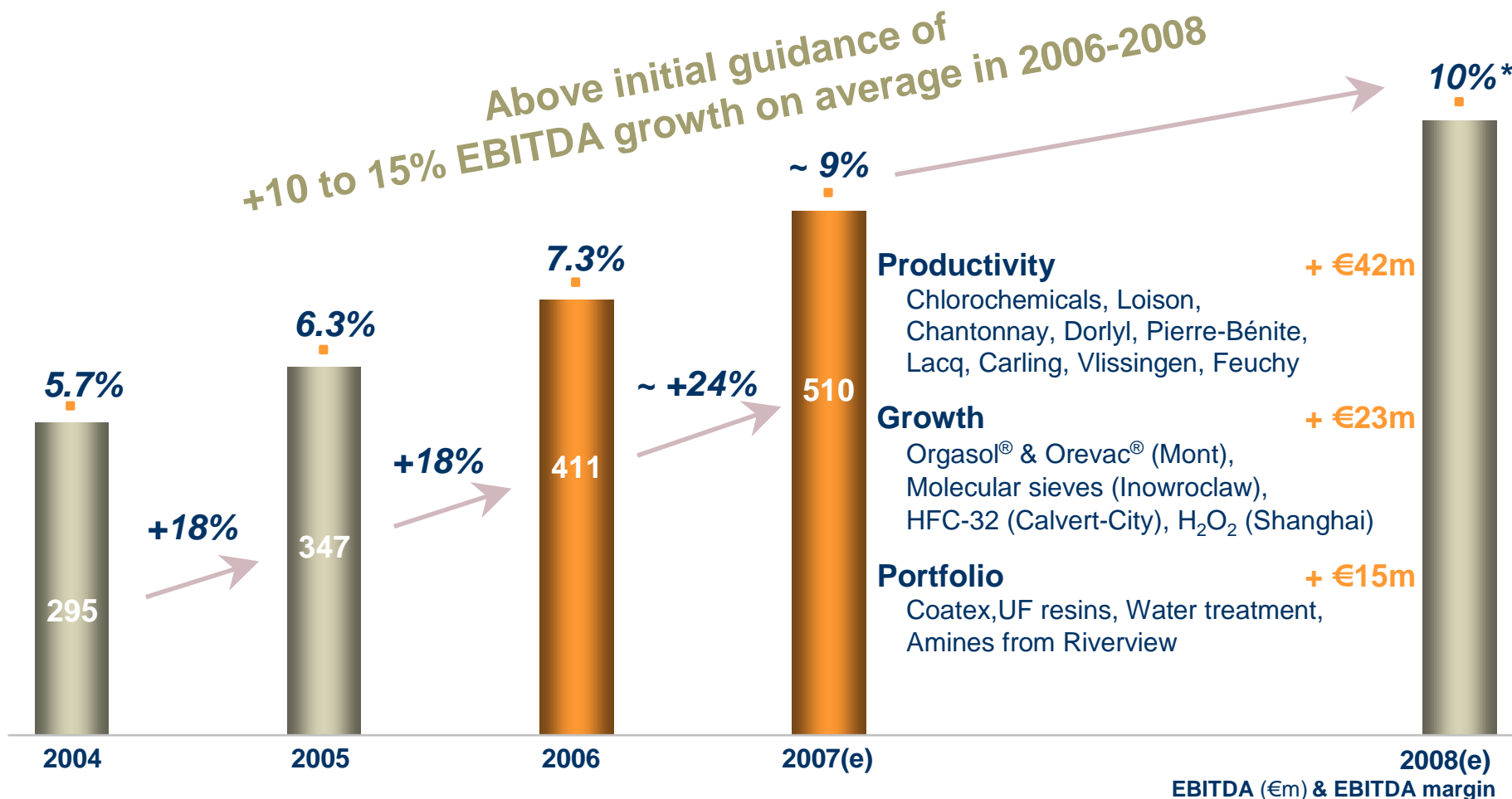
\*\* Calculated as cash flows before pre-spin off NR items and portfolio management



# A strong balance sheet



# Strong confidence in 2007 and 2008



**Strong impact from self-help**



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**2010**

**A different company with a new face**





# Confident in our strategy from day One

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**Restore profitability**



**Reducing fixed costs**

**Prepare for the long term**



**Building growth**

**Reduce cyclical**



**Developing downstream integration**

**Improve free cash generation**



**Keeping a sound balance sheet**

*Performance driven and long term oriented*



# Industrial assets as industry standards

## Optimize cost structures

- Reduce fixed cost base
- Improve yields and reliability
- Redefine asset base

## Expand best industrial sites

- Targeted debottlenecks
- New production units in best product lines
- Production in 3 regions to limit impact of foreign exchange rates



Changshu (China)

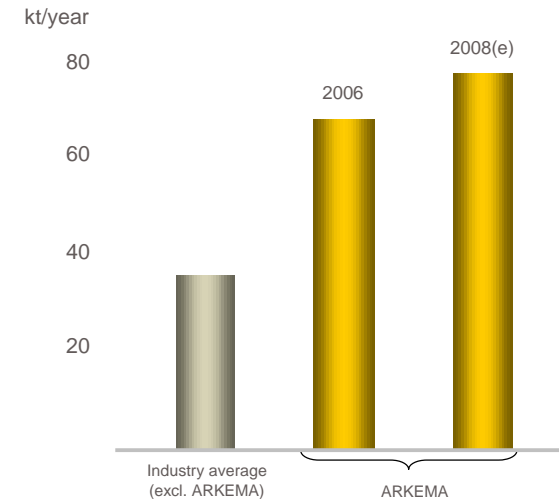


Beaumont (US)

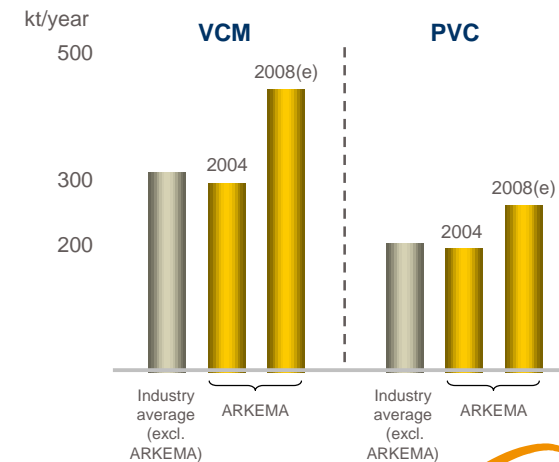


Jarrie – H<sub>2</sub>O<sub>2</sub> (France)

## Average capacity of H<sub>2</sub>O<sub>2</sub> Plants



## Vinyl production capacities

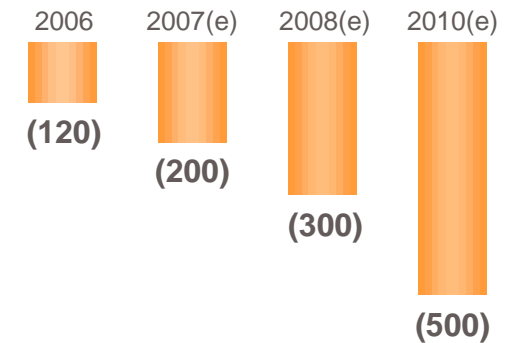


# Confirm our 2010 fixed cost savings

## Impact from restructuring initiatives

	Fixed cost savings	EBITDA	Positions	Full impact
Pre-spin off plans	€125m	€80m	1,080	2008
Plans launched in 2006 after spin off	€40m	€30m	278	2008
Plans launched in 1 <sup>st</sup> 9 months 2007	€75m	€60m	568	2009
<b>TOTAL</b>	<b>€240m</b>	<b>€170m</b>		

Cumulative fixed cost reductions in €m vs 2005



## Ongoing productivity measures

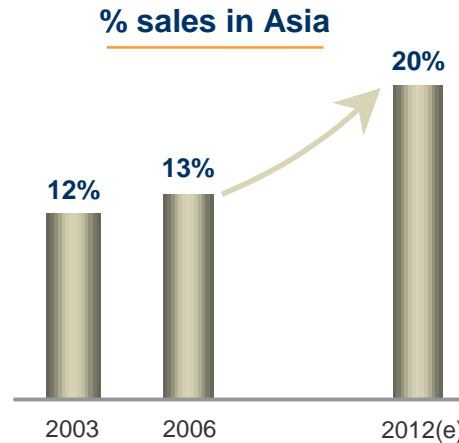
Offsetting around three quarters of inflation on fixed costs each year



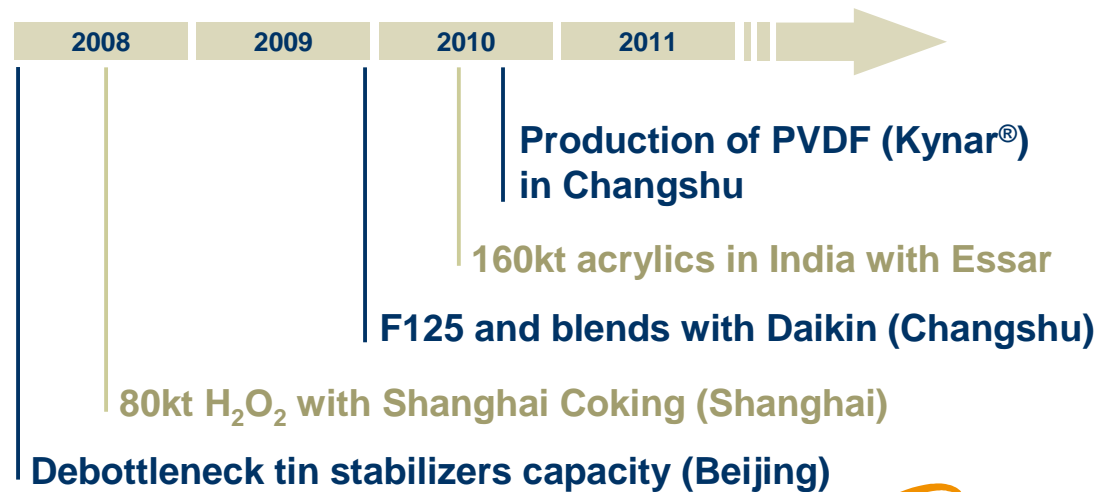
**Net EBITDA impact +€200m**

# Asia: a top priority

- **A focused approach:**
  - 6 product lines identified
- **Develop world-class sites**
  - Proprietary technologies
  - Competitive access to raw materials
  - Increase scale of sites
- **Strategic partnerships**
- **Over €50m capex per year**
- **IRR at least 15%**



Planned start-up dates of projects launched since spin off



# R&D: a catalyst for growing specialties

## New products

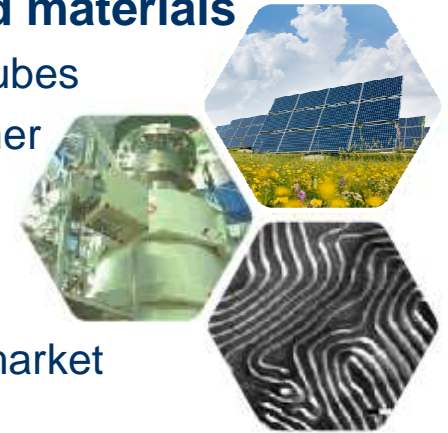
- 📦 Rilsan® clear
- 📦 Biofuel lines
- 📦 Molecular sieves
- 📦 PMMA Capstocks
- 📦 Glass coating



› *EBITDA growth*

## Sustainable development

- 📦 **Nanostructured materials**
  - Carbon nanotubes
  - Block copolymer
- 📦 **Energy**
  - Fuel cells
  - Photovoltaic market
- 📦 **Renewable resources**



› *Long term opportunities*

## Proprietary technologies

- 📦 HFC 32&125
- 📦 MMP in Beaumont

› *New industrial platforms*



# A differentiated strategy by segment

## Vinyl Products

*Low cost, regional and integrated producer*

Fixed cost reduction



Asia

Innovation



Portfolio

- Secure long term and competitive supply
- Develop first quartile plants
- Move to higher added value products

## Industrial Chemicals

*Reinforce our global leadership positions*

Fixed cost reduction



Asia

Innovation



Portfolio

- World-class plants
- Downstream integrations (acrylic polymers, DMDS...)
- Presence in Asia
- Quality of partnerships

## Performance Products

*Drive profit by innovation and cost reduction*

Fixed cost reduction



Asia

Innovation



Portfolio

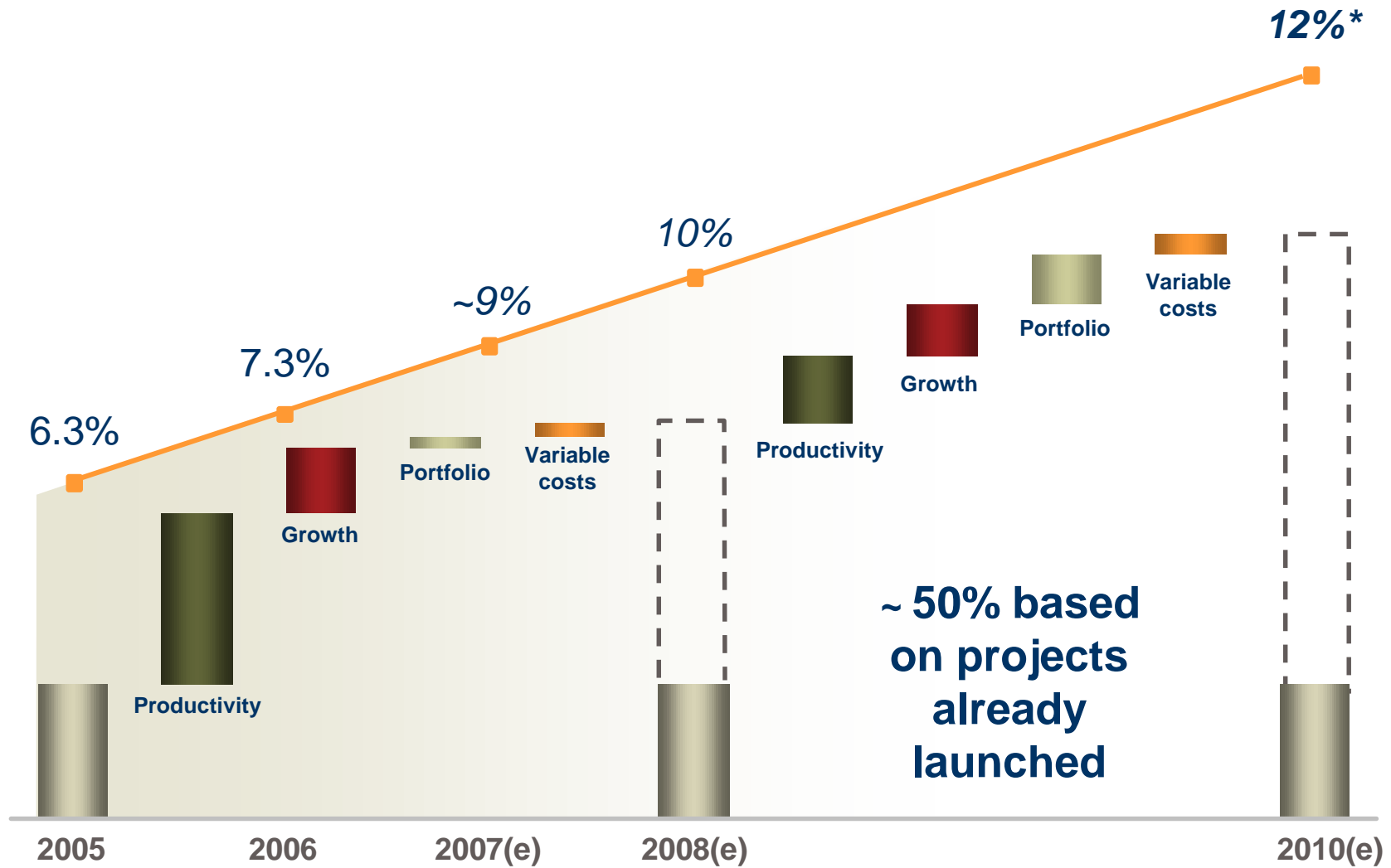
- Divest low profit businesses
- Increase polymers manufacturing in Asia
- Selected acquisitions in specialty polymers
- 20% sales from R&D in 2010



# Dynamic portfolio management

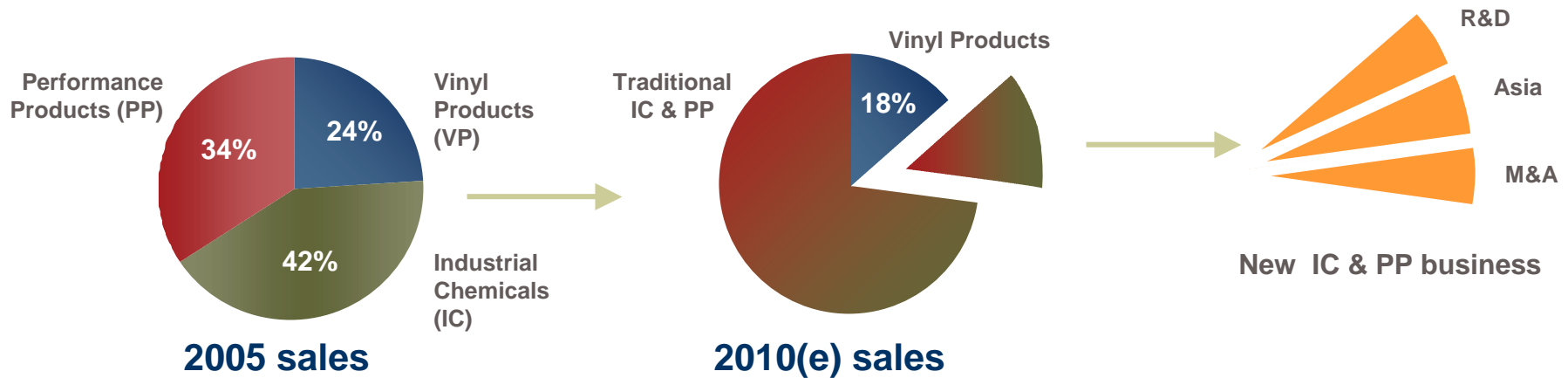
	Targets	Achieved	Business
<b>Disposals of non core assets</b>	€300m to €400m sales by mid-2008	~ €380m sales	<b>Cerexagri</b> (Agrochemicals) <b>UF resins</b> <b>Specialty Amines</b> (Thiochemicals)
<b>Acquisitions in core activities</b>	€500m to €800m sales by end 2009	~ €150m sales	<b>Coatex</b> (Specialty Acrylic Polymers)
<b>Financial flexibility</b>	Gearing maintained below 40%	< 30%	

# Clear path to reaching 2010 target

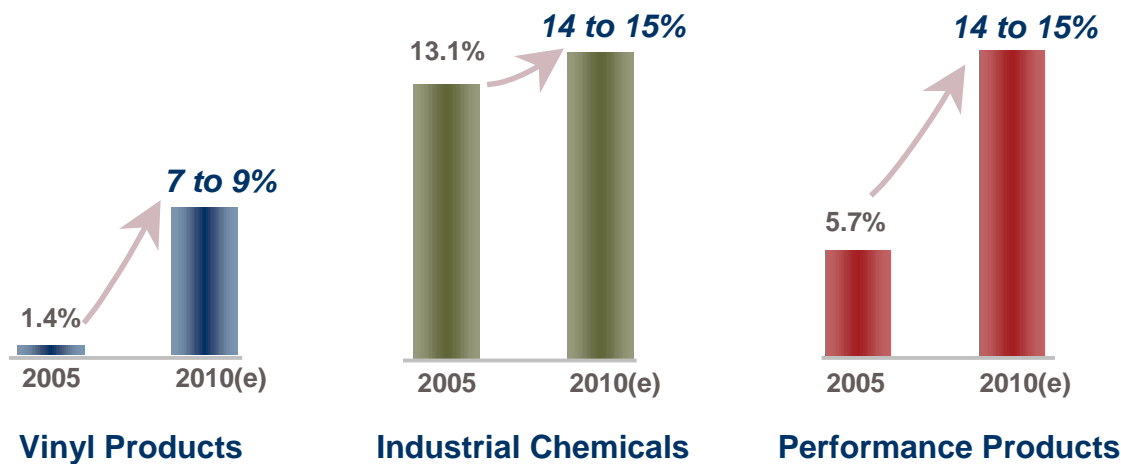




# The new face of Arkema in 2010



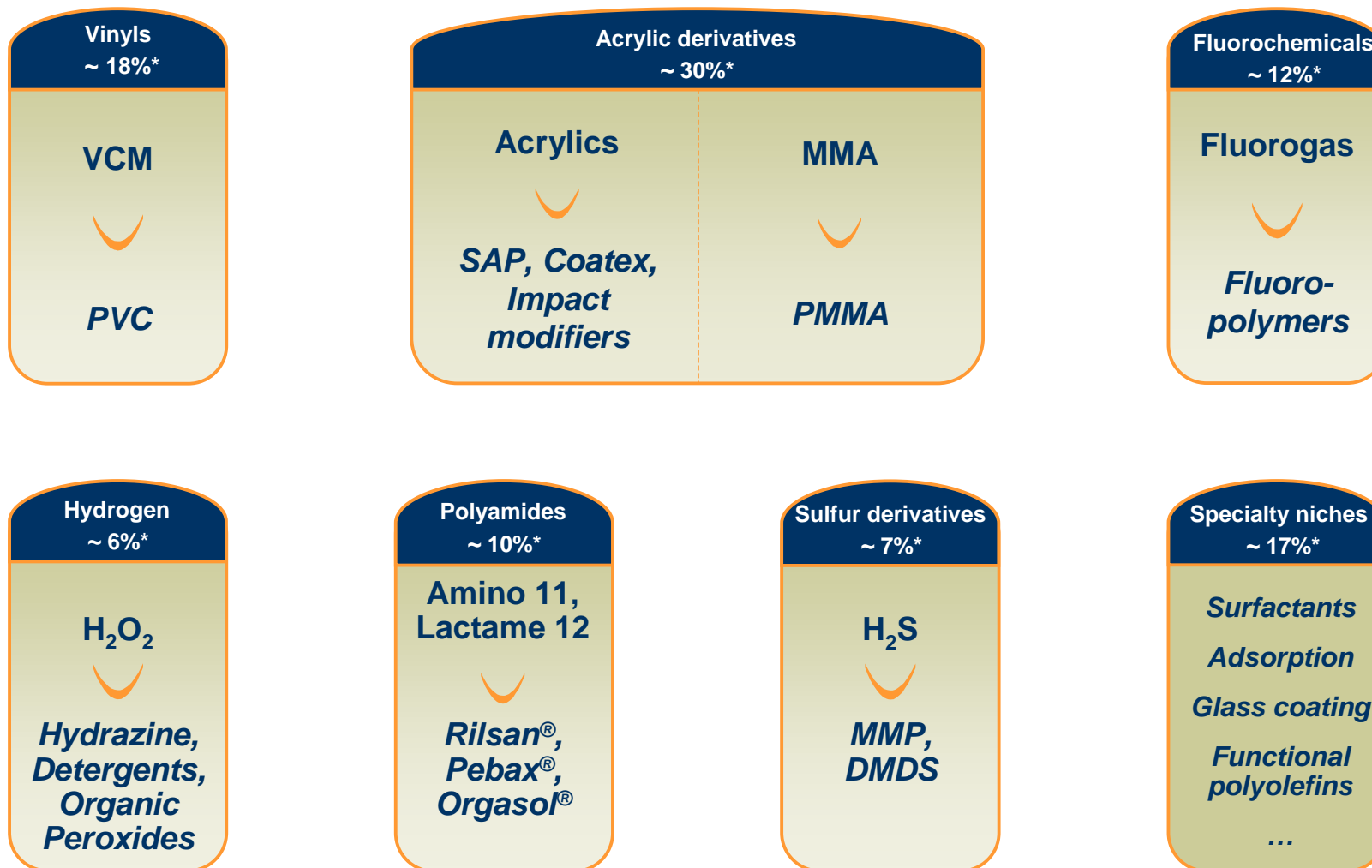
## EBITDA margin



*Demand growth for IC & PP: + 4 to 5% per year from 2010*



# More focused, more resilient, fairly integrated portfolio



# The new face of Arkema

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## Self help drive mid-term profits

- Full year 2007 EBITDA around €510m up 24%
- 2008 EBITDA margin target at 10% of revenues

## In-depth transformation of the company

- Reduce significantly fixed cost base
- Strategic growth developments
- Innovative R&D and sustainable development

## A promising company in 2010

- Confidence in 12% EBITDA margin target
- Strong balance sheet maintained (gearing below 40%)
- Streamlined and efficient organization

***A solid platform for further value creation  
beyond 2010***

# 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 2005 are extracted from pro forma financial statements presented in the 2006 reference document. Financial information for 2006 and 2007 are 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 17,000 employees, Arkema achieves sales of 5.7 billion euros in 2006. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets

