



# Arkema

## Building a strong chemical player

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Paris, February 16, 2007

# Build step by step a strong company

Creation of  
Arkema

October  
2004

## Prepare for independence

- Negotiate a strong balance sheet
- Launch of 6 major restructuring projects
- Corporate governance
- New organization

Spin off

May 2006

## Restore profitability

10 to 15% EBITDA growth per year\*

- Strong emphasis on productivity
- Focus on profitable growth
- Portfolio management

Next step

2008

Establish a  
competitive  
and growing  
chemical player

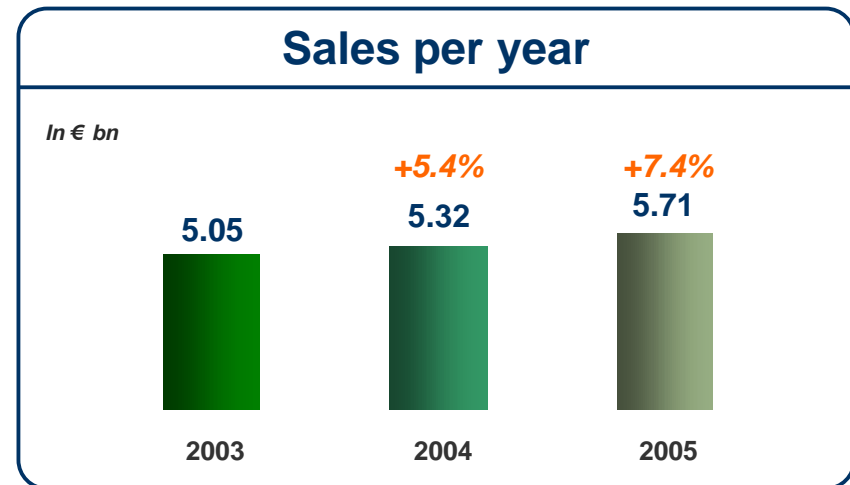
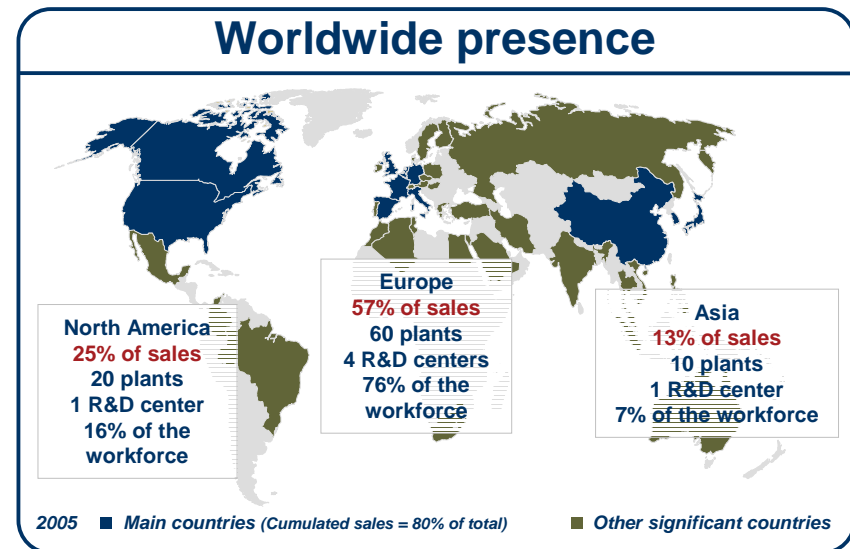
Accelerate pace of change

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# Company overview

# Arkema 2005 overview

- ▶ Sales: **€5.7 bn**
- ▶ EBITDA\*: **€355m**
- ▶ EBITDA margin\*: **6.2%**
- ▶ Pro forma financial debt at **€35m**
- ▶ Gearing including pre-spin off  
NR items at **30%**
- ▶ **19,200** employees (end 2004)



# A differentiated strategy by segment

## ▲ Vinyl Products

- A well integrated sector from chlorine production to PVC converting.

**“Strong emphasis on productivity”**

## ▲ Industrial Chemicals

- Intermediates for a large number of industrial sectors.

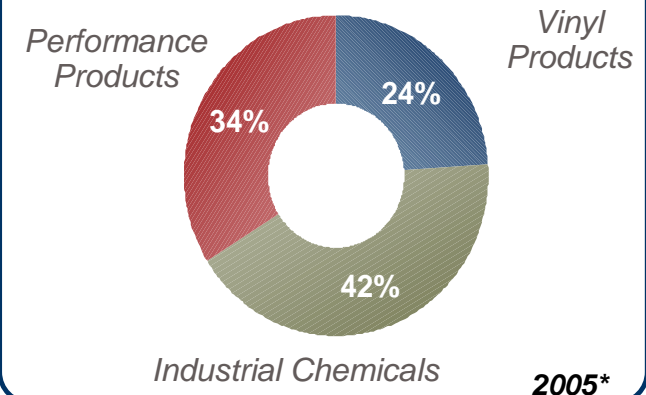
**“Focus on profitable growth”**

## ▲ Performance Products

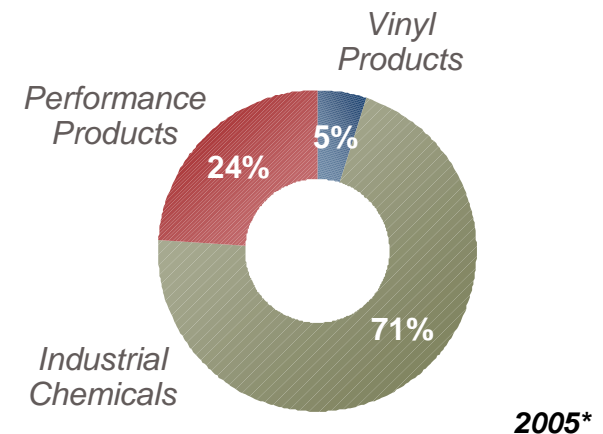
- Innovative chemical solutions partly integrated with Industrial Chemicals segment.

**“Reshape the segment”**

**Sales by segment**



**EBITDA by segment**



# A strong balance sheet

## Initial gearing at 30%

### End of 2005 balance sheet

- €35m financial debt\*
- €580m pre-spin off non-recurring items\*\*

### Gearing at 30%

- Theoretical net debt = €615m (€35m + €580m)
- Equity = €1,950m

### End of September 2006

- €303m pre-spin off NR items converted into financial debt

## Commitments by Total as of spin off

### Indemnities

- Antitrust
- US former industrial sites

### Liabilities transferred before spin off

- French former industrial sites
- Pensions (US/France)

### Operating LT contracts (France)

- Ethylene
- Propylene

*Full information in listing prospectus*



\*Calculated as €567m net debt as of 12/31/05 minus €532m capital increase by Total before spin off

\*\*Of which €435m provisions (mostly antitrust, restructurings); €45m 2006 NR items; €100m Vinyl Plan Capex

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**2006**  
**Accelerate the pace of change**

# 6 major plans launched before spin off

2004

PMMA Sheet Europe  
165 positions  
**COMPLETED**

Thiochemicals France  
74 positions  
**COMPLETED**

Headquarters  
132 positions  
**COMPLETED**

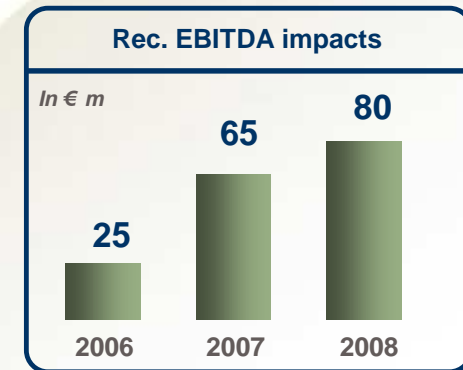
2005

Chlorochemicals  
  
523 positions  
223 p. as of 06/30/06  
**COMPLETE 4Q'07**

Thiochemicals US  
60 positions  
**COMPLETED**

2006

Urea Formaldehyde Resins  
  
132 positions  
31 p. as of 06/30/06  
**COMPLETE 2Q'07**



“Implementation on track”



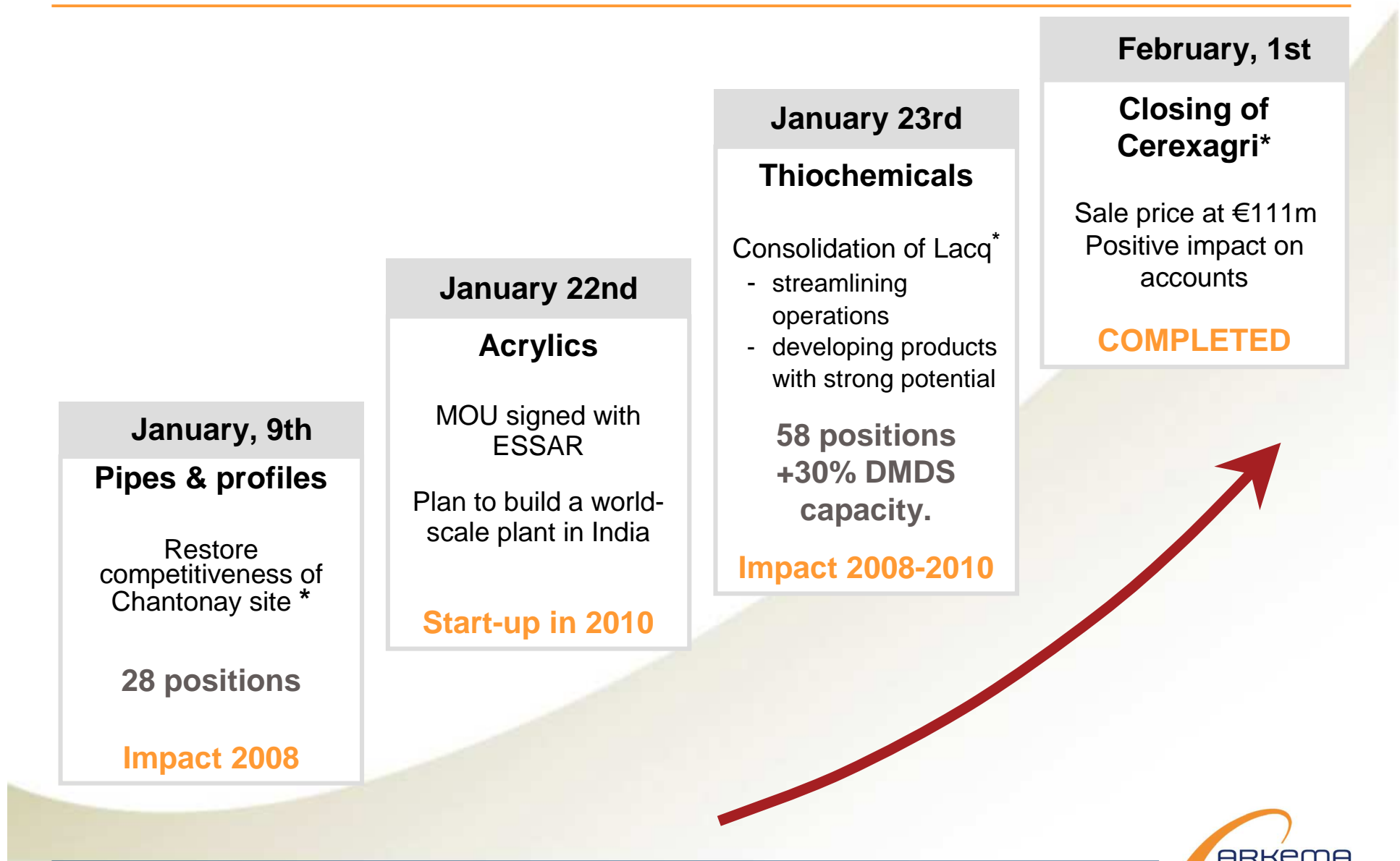


# New steps in 2006 since May 18<sup>th</sup>

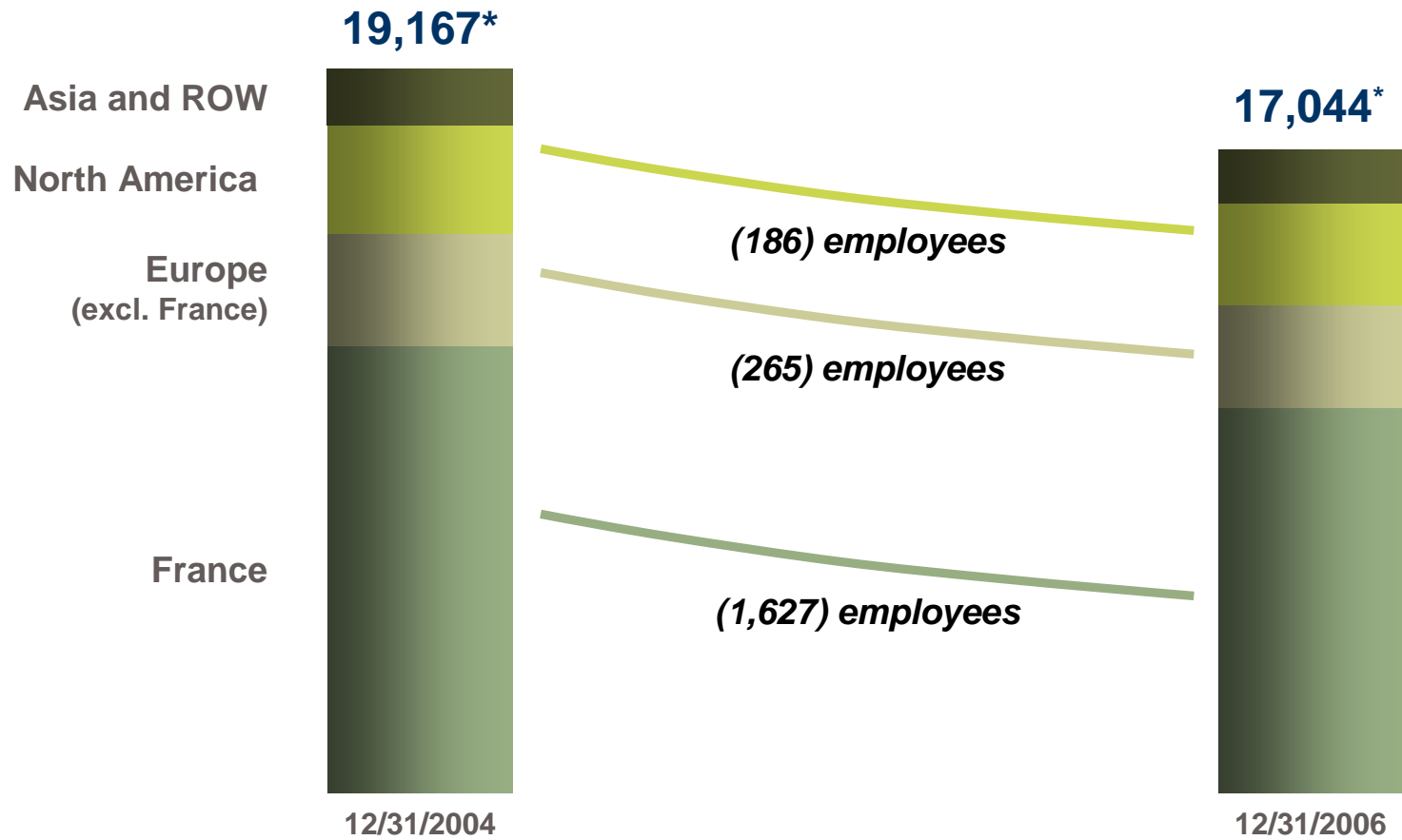
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2006 July 5 <sup>th</sup>	⇒	<b>Specialty Chemicals:</b> Pierrefitte-Nestlas (France)	⇒	<b>23 positions</b>
2006 July 5 <sup>th</sup>	⇒	<b>Technical Polymers:</b> Serquigny (France)	⇒	<b>37 positions</b>
2006 July 5 <sup>th</sup>	⇒	<b>Additives:</b> Mobile (Alabama), Carrollton (Kentucky)	⇒	<b>31 positions</b>
2006 September 13 <sup>th</sup>	⇒	<b>Merger:</b> Organic Peroxides + Additives	⇒	<b>€5m savings</b>
2006 October 12 <sup>th</sup>	⇒	<b>Organic Peroxides:</b> Loison (France)	⇒	<b>57 positions</b>
2006 November 10 <sup>th</sup>	⇒	<b>Headquarters</b> (France)	⇒	<b>130 positions 102 relocations</b>
2006 November 14 <sup>th</sup>	⇒	<b>Cerexagri</b>	⇒	<b>Divestment</b>

# New actions launched in 2007



# Evolution of headcount since creation

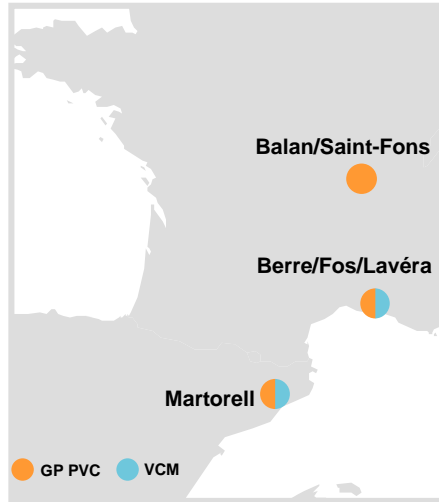


# Vinyl Products: competitive assets at end of plan

## VCM sites\*



- Lavéra**
  - 525 Kt capacity
  - 3<sup>rd</sup> largest site in Europe
- Fos\*\***
  - 415 Kt capacity
  - 5<sup>th</sup> largest site in Europe

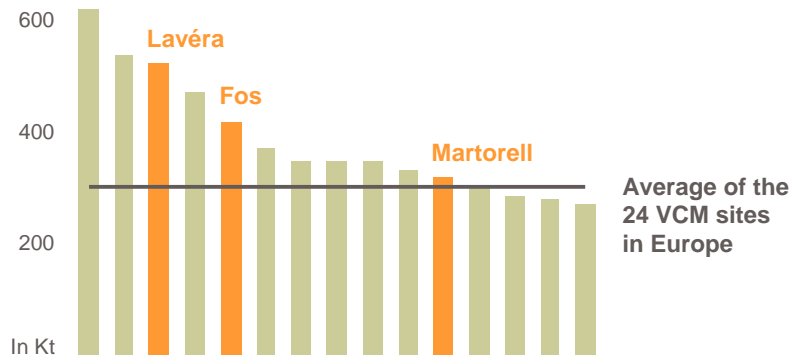


## General Purpose PVC sites\*



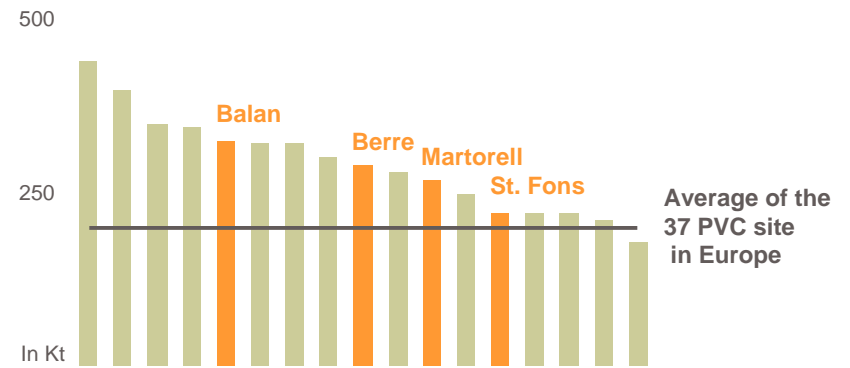
- Balan**
  - 325 Kt capacity
  - 5<sup>th</sup> largest site in Europe
- Berre\*\***
  - 290 Kt capacity
  - 9<sup>th</sup> largest site in Europe

## VCM Production Capacities\*\*



Sources: CMAI and Arkema

## PVC Production Capacities\*\*



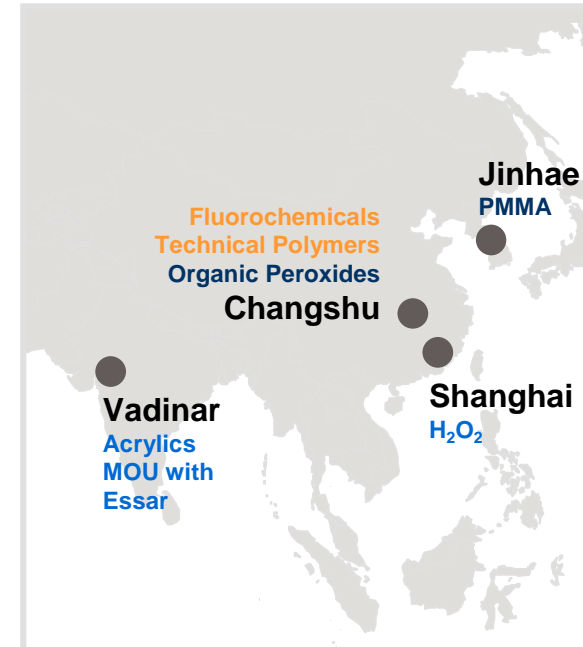
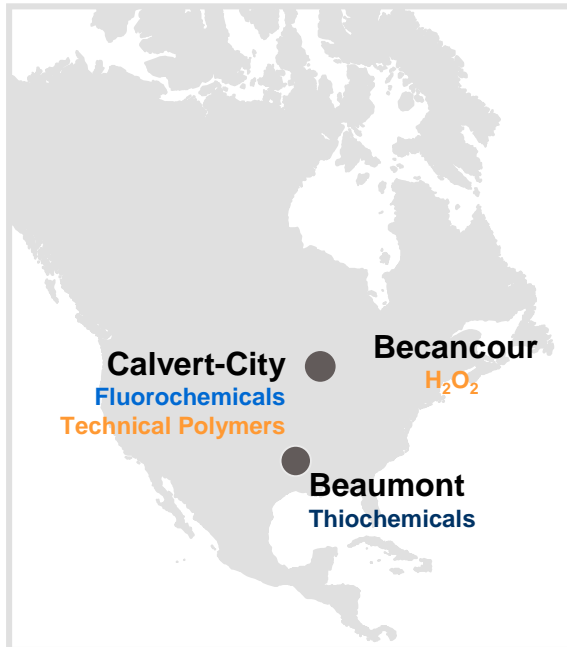
Sources: CMAI and Arkema



\* Not including St Auban (only Specialty PVC) and Jarrie (Chlorine Intermediates). Details of the plan in appendix.

\*\* Joint ventures: Fos (Arkema: 79%, Solvin: 21%), Berre (Arkema: 65%, Solvin: 35%), Martorell (Arkema: 35%, Solvin: 65%)

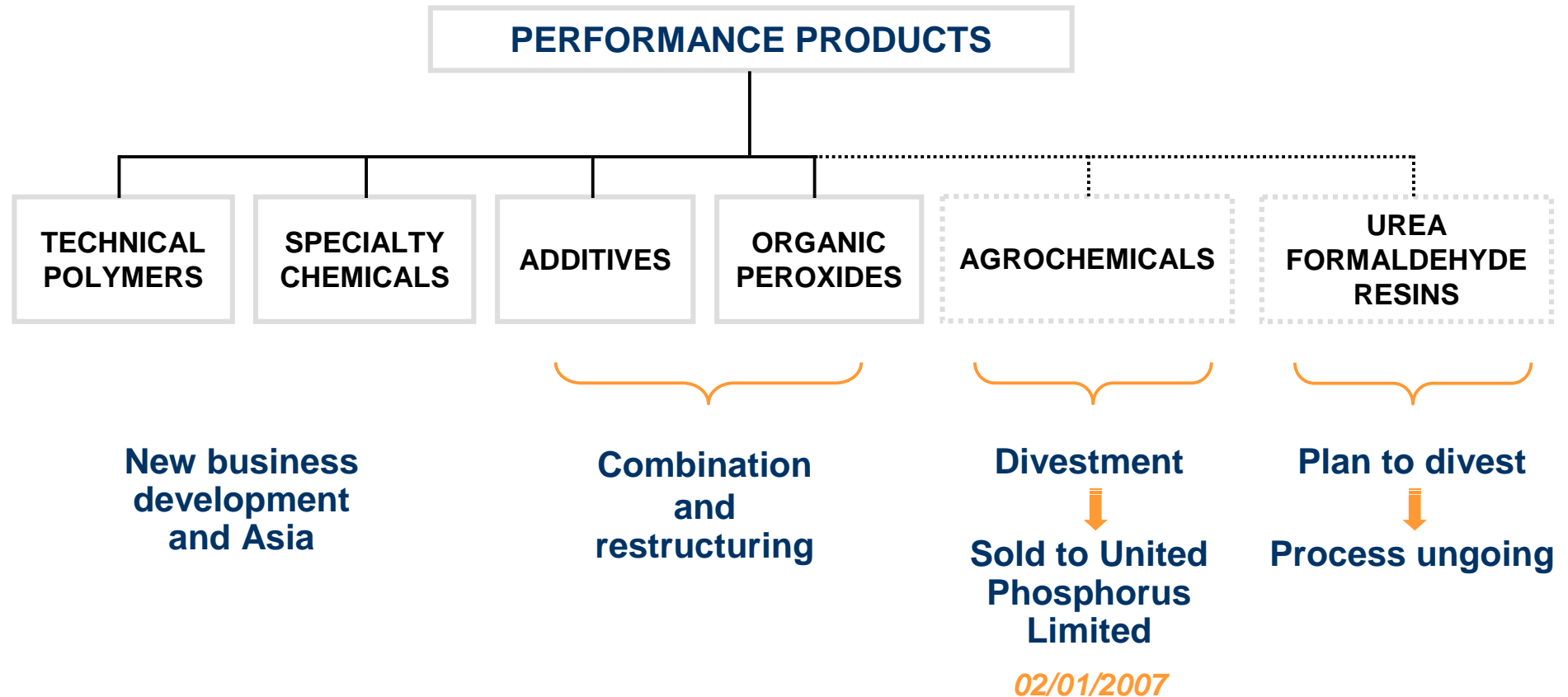
# Selective growth



Started   Debottlenecking   Major extension

- Increase presence in Asia
- Reinforce competitiveness of best sites through incremental extensions
- Projects' IRR from 15 to 30%

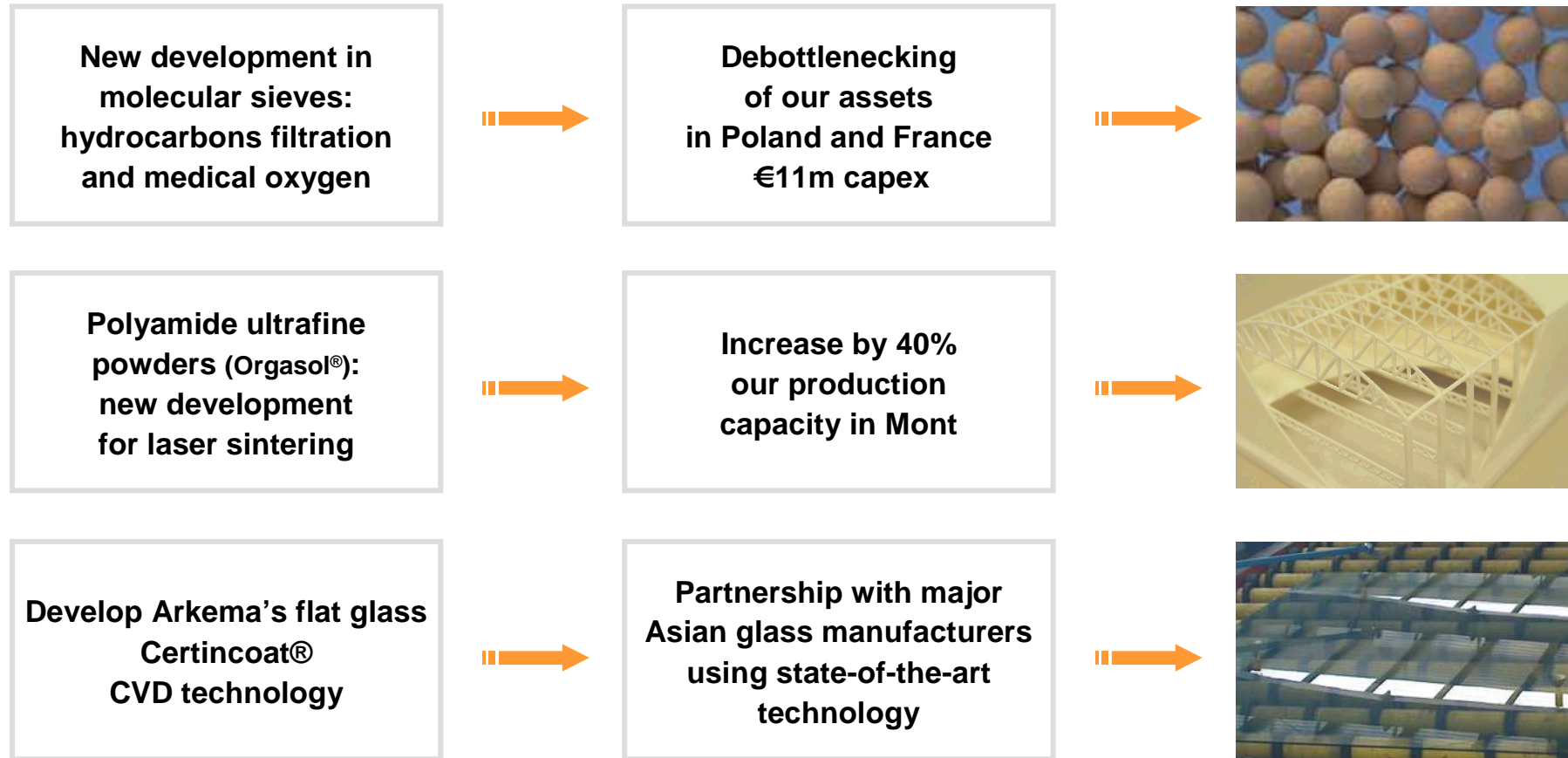
# Reshape the Performance Products segment



**“Build a focused and highly profitable segment”**



# Market driven innovation



**“Higher efficiency at constant R&D budget”**

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# Financial performance



# 2006 highlights

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## GLOBAL ECONOMIC ENVIRONMENT

- Strong demand in US and Asian markets
- Increased raw material and energy costs
- Significant decrease of acrylics unit margins
- Slowdown in US construction market in 2H06

## ARKEMA'S HIGHLIGHTS

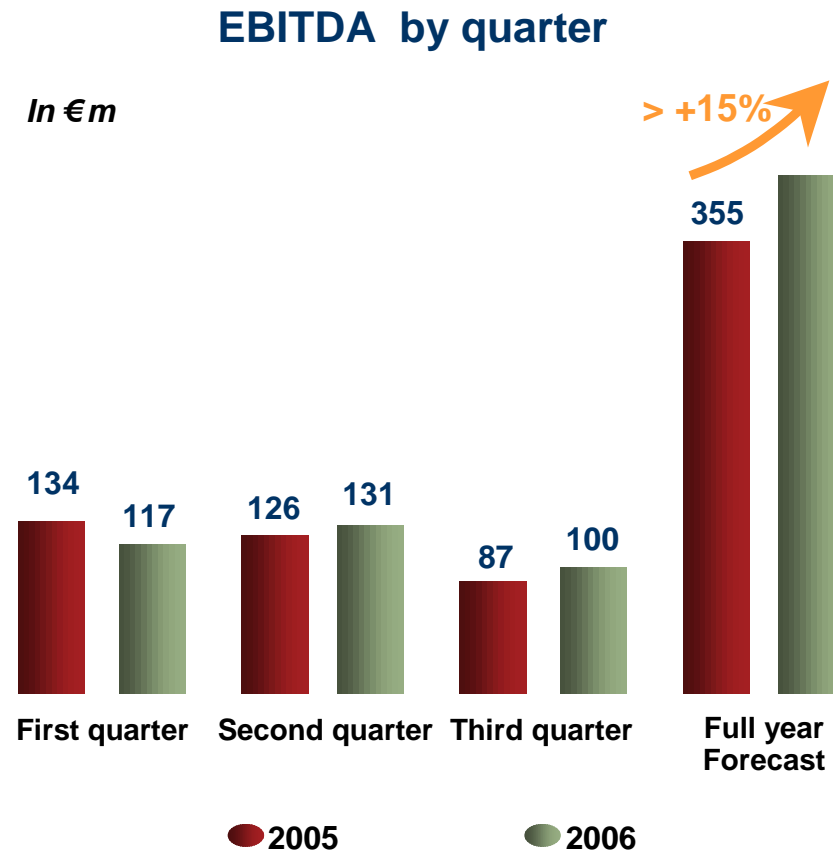
- On-going selling price increases
- First benefits from Vinyl Products and other major restructuring plans
- Further significant fixed costs initiatives
- Key growth projects

# Sales\* growth supported by price increases



# Results forecast

- EBITDA growth above 15 % year on year
- High impact of productivity measures more than offset acrylics cycle
- Strong improvement of Performance Products
- Positive net income



**“Results to be published on March 14”**



# Cash flow for the first 9 months

	9m 06
Recurring Cash Flow	281
Recurring Capex	(192)
<b>Operating Free Cash Flow</b>	<b>89</b>
Working Capital	(29)
Other items	(22)
<b>Cash Flow before pre-spin off NR items</b>	<b>38</b>
<i>Pre Spin-off NR items cash out*</i>	<i>(303)</i>
<b>Cash Flow</b>	<b>(265)</b>

*Positive cash flow  
before pre spinn-off  
NR items*

**“Full year figures to be published on March, 14”**



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# Outlook

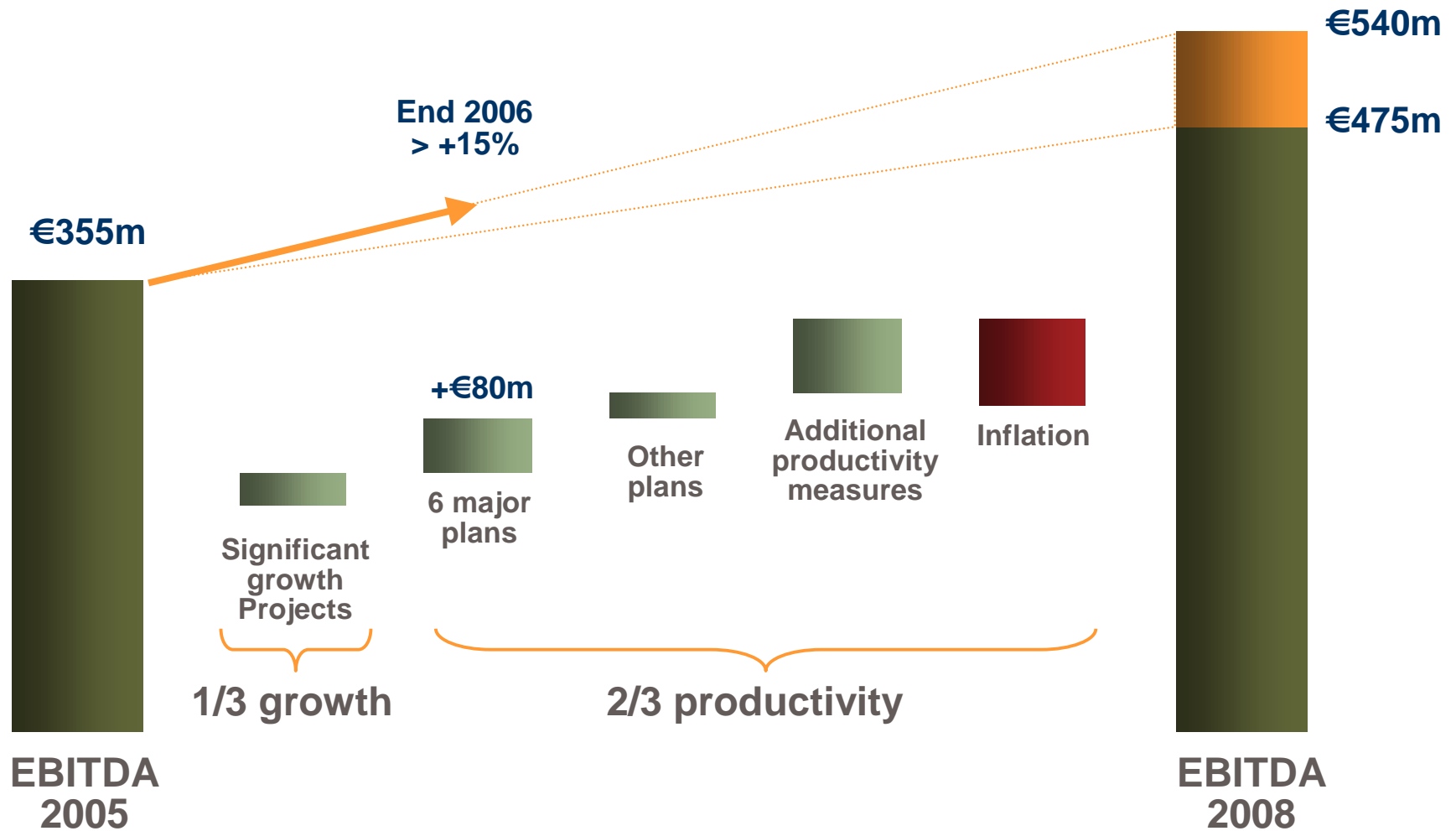
# Mid-term target

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- **Confirmation of 10 to 15% recurring EBITDA growth**
  - Calculated as an average annual growth for the next 3 years (06-08)\*
  - Despite a less favorable environment in acrylics compared to 2005
- **Positive free cash-flows from 2007**  
(before pre-spin off non-recurring items)
- **Reduce working capital to 20% of sales**
- **Gearing to be maintained between 30 and 40%**



# 2006-2008 EBITDA bridge\*



**“All projects have been launched”**



# Impact of ongoing productivity initiatives

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<i>In €m</i>	2006	2007	2008
6 major plans	25	65	80
6 projects announced after spin off	0	10	30
<b>Total</b>	<b>25</b>	<b>75</b>	<b>110</b>

*Beyond, other actions to compensate for most of inflation\**

**“Full EBITDA impact in 2008: +€110m”**





# Selective portfolio management

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## DIVESTMENTS – Disposals of non-core assets

€300 to €400m of sales within the next three years

- Plan to divest UF Resins (German plant of Leuna): €90m of sales
- Divestment of Cerexagri to United Phosphorus Limited: €200m of sales



## ACQUISITIONS

Bolt-on acquisitions in our core activities

- Take advantage of upstream integration (Acrylics, Fluorochemicals, Polyamides)
- Increase the proportion of non-cyclical, low capital intensive businesses

**“Better focused, less cyclical portfolio”**



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# Q & A Session

# 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 prepared for the purpose of the listing of ARKEMA SA. Financial information for 2006 are extracted from the consolidated financial statements of ARKEMA. Quarterly financial information are not audited.

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

In accordance with IFRS5, Cerexagri was considered as a discontinued activity. 2006 financial statements presented in this presentation include Cerexagri sales figures.

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 18,400 employees, ARKEMA achieves sales of 5.7 billion euros in 2005. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, ARKEMA holds leadership positions in its principal markets

