



Industrial Chemicals

Marc Schuller, Executive Vice President

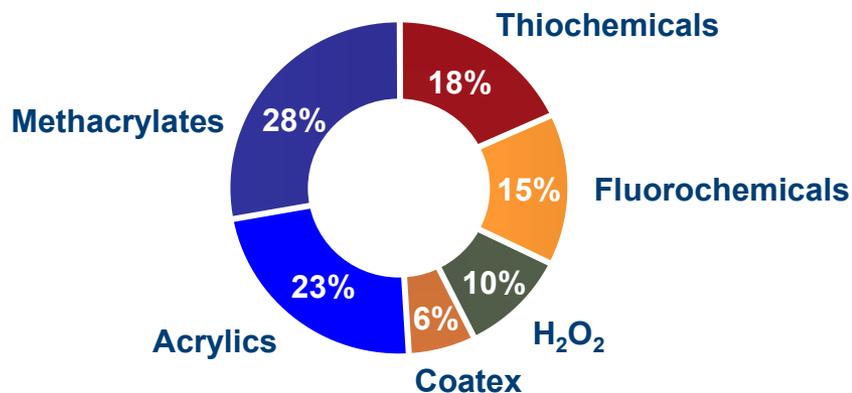
 September 23rd, 2008

Industrial Chemicals overview

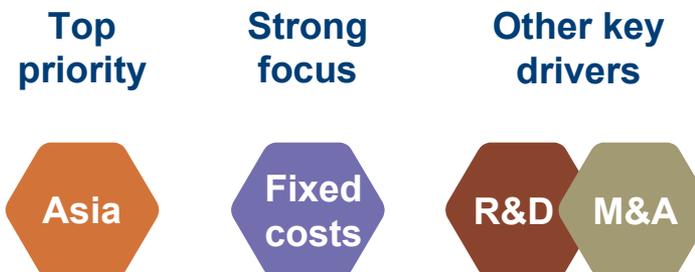
- ❖ Large integrated chemical lines
- ❖ Worldwide leadership positions
- ❖ Proprietary technologies
- ❖ World-scale production sites
- ❖ Growth above GDP

(€m)	2006	2007
Sales	2,494	2,529
EBITDA	267	289
EBITDA margin	10.7%	11.4%
Rec. operating income	160	178
Capital employed	1,354	1,565
Capex	172	124
Employees	5,975	5,866

Sales by business unit*



Strategy



Strong resistance of results

(€m)	1H'06	1H'07	1H'08	Δ*
Sales	1,318	1,308	1,357	+3.7%
EBITDA	161	147	190	+29.3%
EBITDA margin	12.2%	11.2%	14.0%	-
Recurring operating income	104	96	131	+36.5%

▣ A challenging environment

- Low cycle conditions in acrylics
- Sharp increase in energy and raw material costs
- Negative impact of €/US\$ exchange rate

▣ **+7.5% organic growth** in sales sustained by price increases in each business unit**

▣ **Strong contribution of structural projects**

▣ **Successful integration of Coatex**

Projects contributing to EBITDA growth in 1H'08

▣ Growth

- 3Q'07: New HFC-32 production unit at Calvert-City (US)
- 2Q'08: +30% capacity in DMDS at Lacq (Fr)
- 2Q'08: +10% H₂O₂ capacity at Jarrie (Fr)

▣ Productivity

- Fluorochemicals in Europe: -196 positions
- Thiochemicals in Lacq (Fr): -48 positions
- Acrylics in Carling (Fr): -58 positions

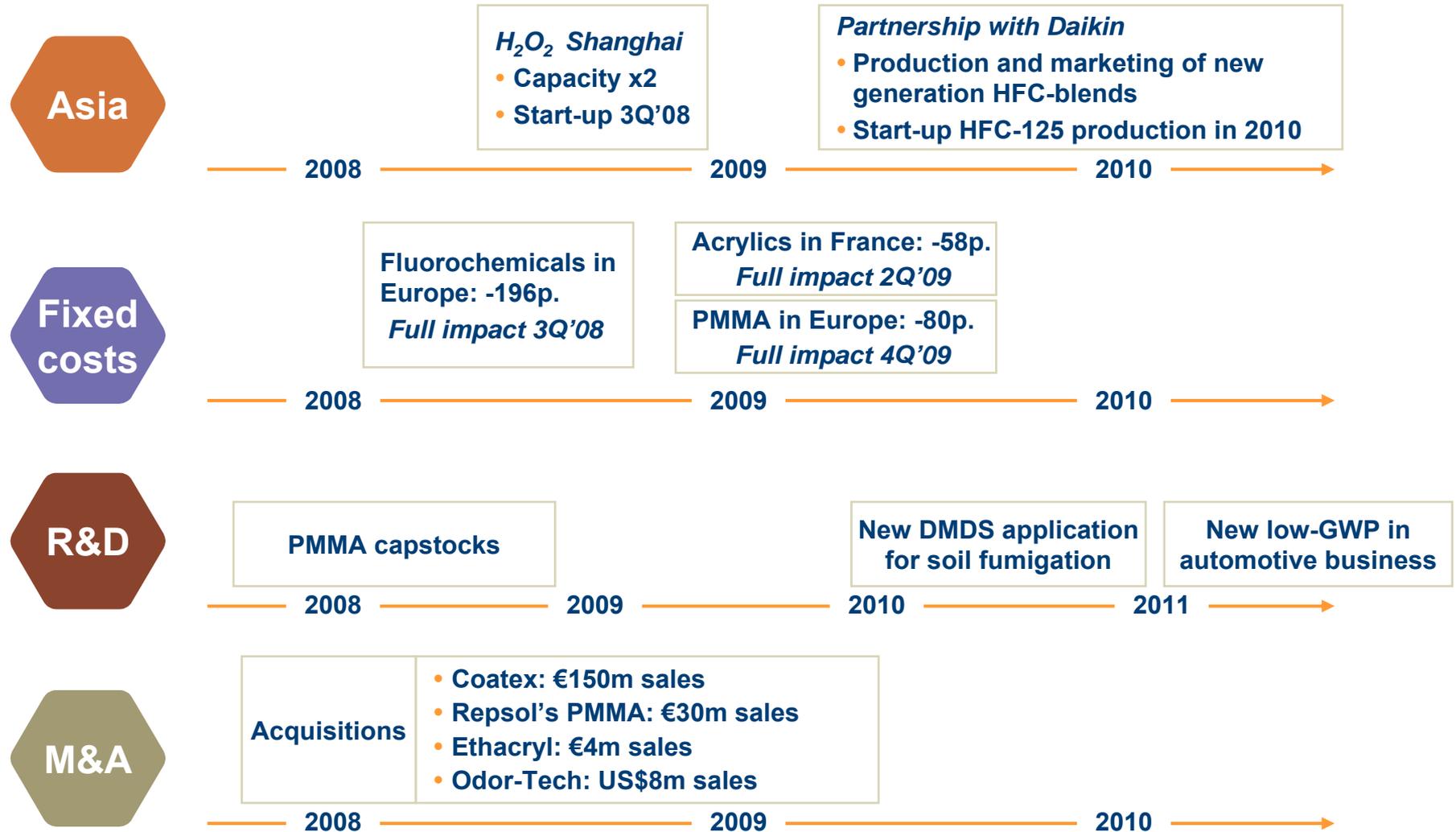
▣ Portfolio management

- Acquisitions of Coatex and Repsol's PMMA
- Divestment of specialty amines in US
- Agreement with Sumitomo Seika in superabsorbants

EBITDA growth fuelled by structural projects



Projects contributing to future EBITDA growth



Confident in future EBITDA growth

❖ **Market conditions in 2H'08 expected to be similar to 1H'08**

- Acrylics in low cycle conditions
- Volatile and high energy and raw material costs
- Usual seasonality of results

❖ **Confirm our objective of 14 to 15% EBITDA margin in 2010 in normalized conditions**

- Supported by structural projects
- Start-up of several growth projects
- Contribution from portfolio management

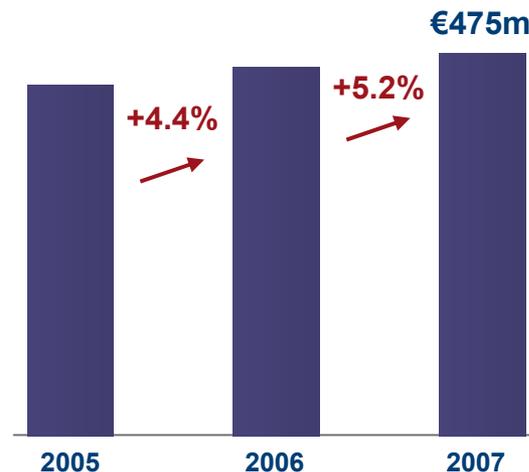
Thiochemicals

• *Focus on H₂S derivatives*

Thiochemicals BU overview

- #1 worldwide in H₂S derivatives
- Proprietary technologies on key complex chemical processes
- Integrated production chain
- 2 world-class industrial sites in Beaumont (US) and Lacq (France)

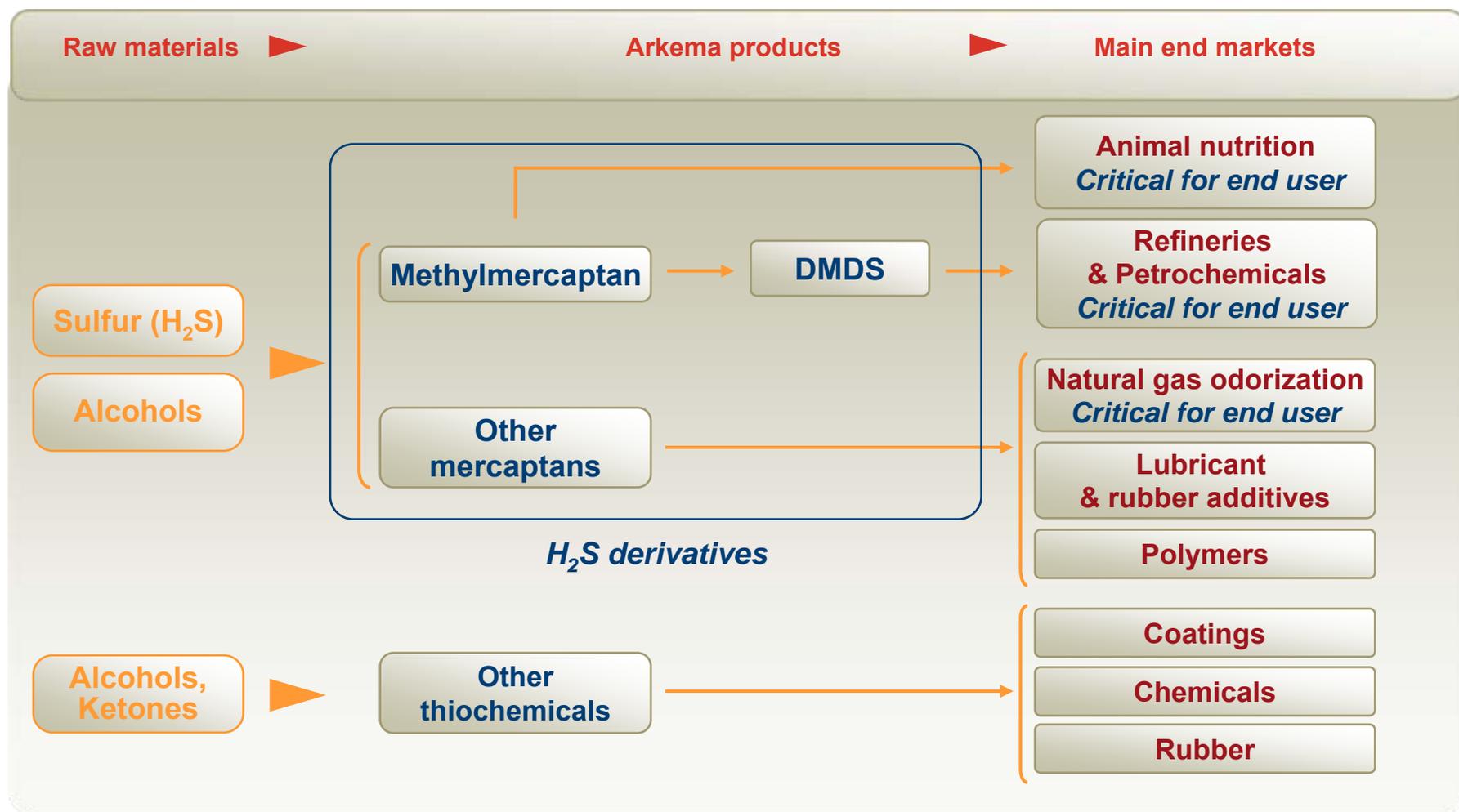
Sales* (in €m)



Strong industrial presence in H₂S derivatives



Key products for critical end user applications



Estimated average growth: +4% a year

Strategic priorities

Reinforce H₂S derivatives product lines



- ✦ **Sulfox project in Beaumont (US) for MeSH production**
 - Long term partnership with Novus
 - Start-up in 2005
- ✦ **+30% DMDS production capacity at Lacq (France)**
 - Keep-up with market growth
 - Start-up in 2Q'08
- ✦ **Acquisition of Odor-Tech in July 2008**
 - Reinforce leadership position in odorants
- ✦ **New DMDS application for soil fumigation**
- ✦ **Take advantage of Asian growth**

Build competitive production platforms



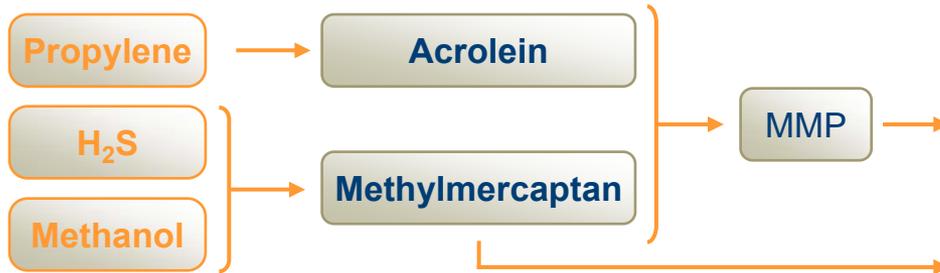
- ✦ **2006-2007: Shutdown of sulfonyls and alkylamines production units in the US: -60p.**
- ✦ **2007: Streamline European operation: -48p.**
 - Optimization plan at Lacq (France)
 - Relocation of supply chain in Lacq
 - Streamline headquarters organization (positions cut by 45%)

Reorganize portfolio



- ✦ **Brominated derivatives: €20m sales**
- ✦ **Specialty amines in Riverview (US): US\$72m sales**

Competitive platform for methionine intermediates



Methionine market, ~600 kt/yr

- Intermediates for animal nutrition
- 4 worldwide players: Novus, Evonik, Bluestar, Sumitomo
- Growth drivers:
 - Increasing poultry consumption
 - Increasing corn prices (growing production of bio-fuels)
 - Fast growing emerging markets

#1 producer of methylmercaptan

- 2 competitive production sites in Beaumont (US) and Lacq (France)
- Few players: CPC & 2 integrated methionine players (Bluestar, Evonik)
- Control of acrolein technology & logistics

Partnership in Beaumont (US) with Novus for production of MMP

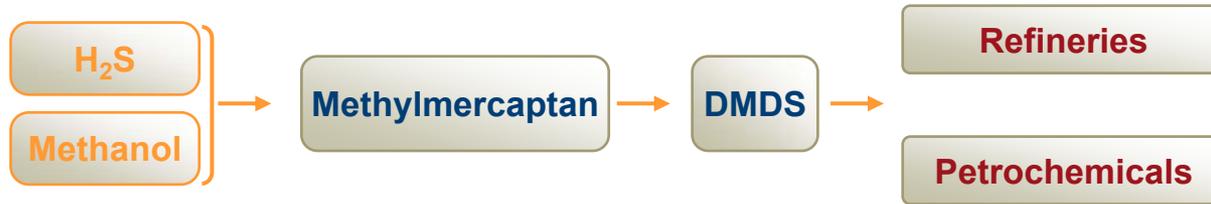


- Long term contract
- Arkema operates MMP unit
- Started mid-2005
- Capex: US\$100m

Integrated production chain

Estimated average growth: +3 to 5% a year

New services and applications for DMDS



Growth drivers

- Stronger regulations on sulfur content
- Petrochemicals projects in Asia and Middle-East
- New application in soil fumigation to replace banned methyl bromide

Global leading position

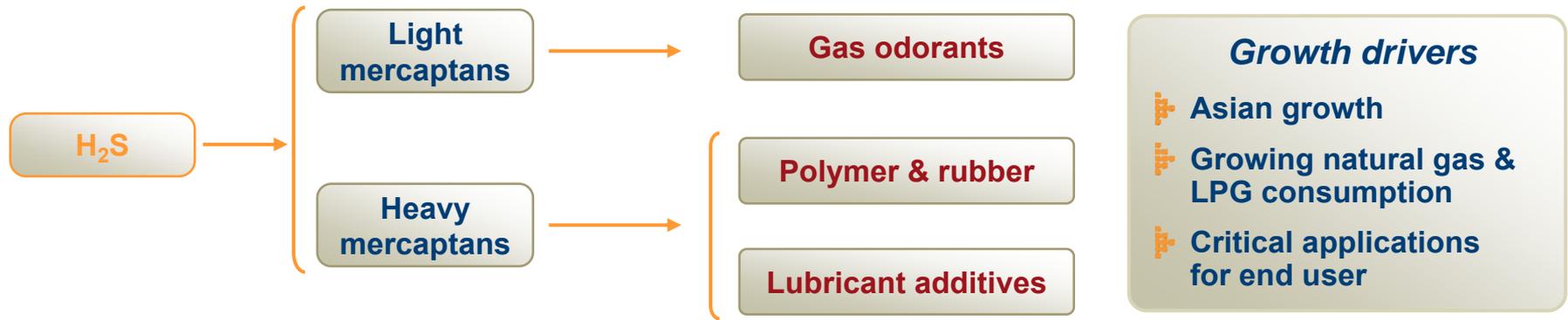
- Best chemical properties in refineries & petrochemicals applications
- Strong relationship with customers
- Continuous improvement of product properties
- Worldwide presence with storage facilities in Asia and Middle East

Careflex®

- Develop a customized offer (service + products)
- To optimize maintenance of refineries
- With an on-site technical assistance

Estimated average growth: +4% a year

Growing the share of critical end user applications for other mercaptans



A full range of products

- Leadership positions
- Strong relationship with customers
- Two competitive sites in Lacq (France) and in Houston (US)
- Ability to develop new applications and improve quality of product & offers

Acquisition of Odor-Tech

- Downstream integration in blending, storage and distribution
- Improve service offer
- Sales: US\$ 8m

Strengthen Arkema's leadership in odorants

Estimated average growth: +3 to 4% a year

Restored profitability in growing end markets

Strong competitive advantages

- Leadership positions
- Competitive and integrated production assets
- A broad portfolio of products with applications in several end markets
- Proprietary technologies on key and complex processes

Growing end markets

- Leading positions in critical end user applications
- Close relationships with key customers

Specialty Acrylic Polymers

❖ *Grow through innovation and geographical expansion*

Coatex overview

- ❖ High value added acrylic-based specialty polymers used as dispersants and thickeners
- ❖ R&D expertise
- ❖ Strong customer focus
- ❖ 4 industrial sites in Genay (France), Moerdijk (Netherlands), Chester (USA), Kunsan (Korea)
- ❖ Worldwide marketing and sales organization
- ❖ 300 employees
- ❖ €150m sales



Coatex acquisition rationale

❖ A perfect strategic fit

- High value-added specialty polymers
- Downstream integration of acrylic monomers
- Reducing cyclicity of the acrylic chain

❖ Long term relationship with Arkema

- Arkema key supplier to Coatex since 1970's
- Existing R&D cooperations

❖ Attractive growth potential

- Strong innovation skills (new products and applications)
- Significant growth opportunities especially in Asia and North America



Strengthen acrylic downstream integration

Successful integration of Coatex

❖ Integrated as a separate business unit

- Maintain high responsiveness and entrepreneurial spirit of a mid-size company
- Keep high customer focus of a specialty chemicals activity
- Build on existing innovation skills

❖ Support from Arkema to accelerate development and optimize cost structure

- Take advantage of Arkema's global presence to support Coatex's geographical expansion
- Support focused acquisitions to strengthen Coatex growth strategy

❖ Short-term synergies already achieved as planned

- Reduction of G&A (management fees)
- Integration in the French tax group (use of tax losses)
- Full upstream integration in acrylic acid

❖ Mid-term synergies under implementation

- R&D cross fertilization
- Joint customer approach
- Increase Coatex brand visibility through Arkema's communication

Coatex strategy

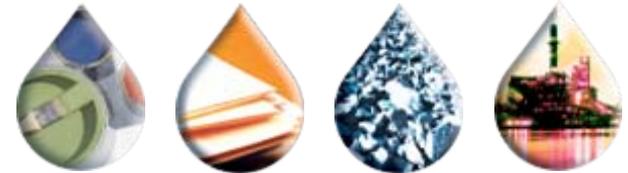
❖ Protect long term partnership with Omya

- Former owner
- Key Coatex customer
- R&D and sales partner



❖ Grow business and geographical presence

- Build future growth on 5 key segments: Paints & Coatings, Paper, Construction, Minerals Processing, Industrial Specialties
- Expand geographical presence
 - Extend sales presence and offer global technical support
 - Set up manufacturing base in Asia
 - Target focused acquisitions (Lyondell's Ethacryl business acquired in 2Q'08)



❖ **Grow through innovation and geographical expansion** ❖