

**INVESTOR DAYS**

# **Reinforce our global leadership position**

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## **Industrial Chemicals**

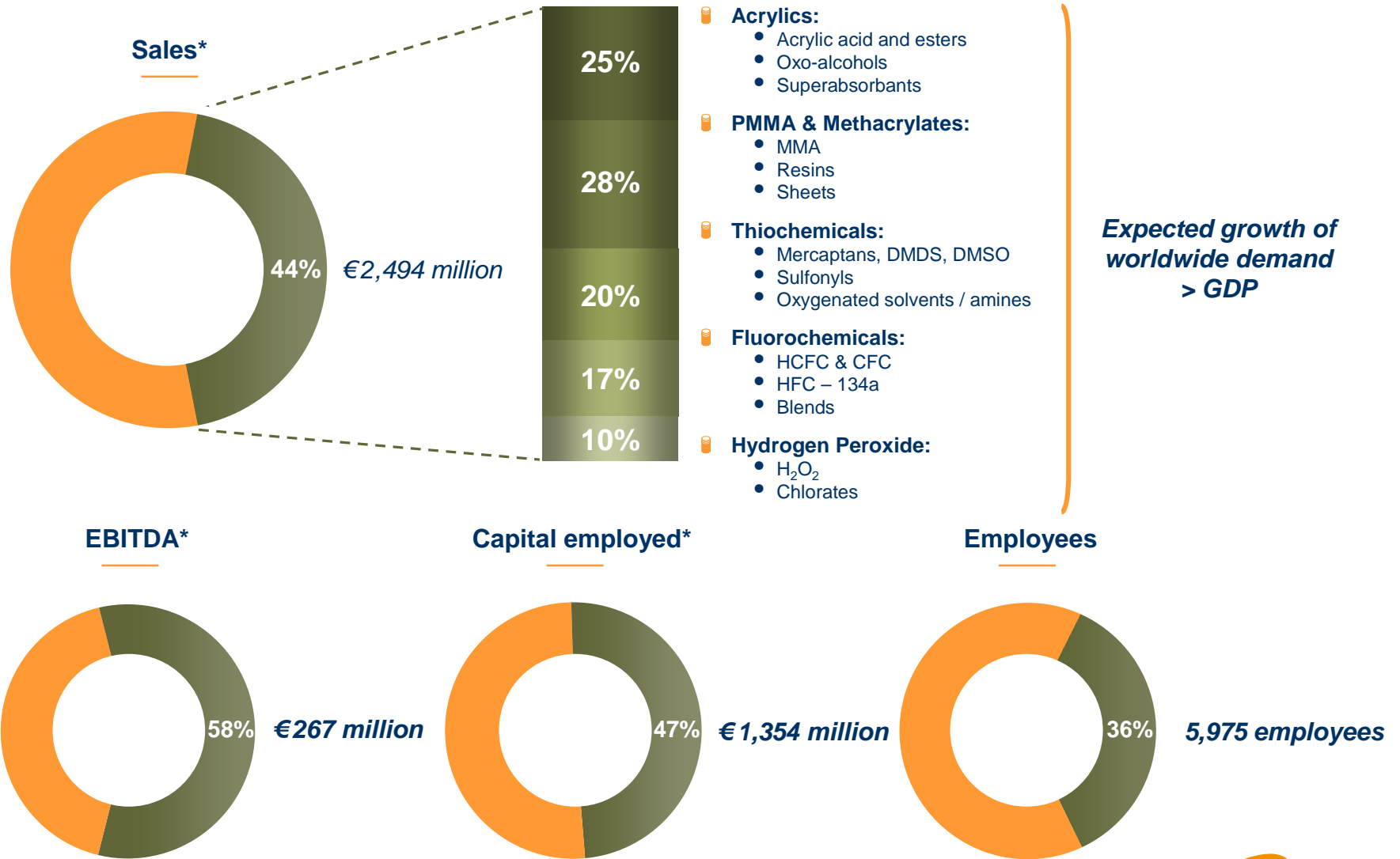
September 25<sup>th</sup>, 2007

Marc Schuller  
*Executive Vice President*



# Segment overview

# Key figures



2006 figures


\* Excluding corporate



# A diversified customer base

## End markets representing 15 to 25% of segment sales

**Chemicals**  
Plastics, adhesives,  
solvents, resins...



**Construction**




**Transformation industry**  
Textile,  
rubber manufacturing,  
foam manufacturing



*~ 85% to 90%  
of segment  
sales*

## End markets representing 5 to 10% of segment sales


**Coatings**



**Hygiene & beauty**



**Automotive**



**Agrochemicals**



**Paper**



**Environment**



# A strong global asset base



35% of segment sales



48% of segment sales

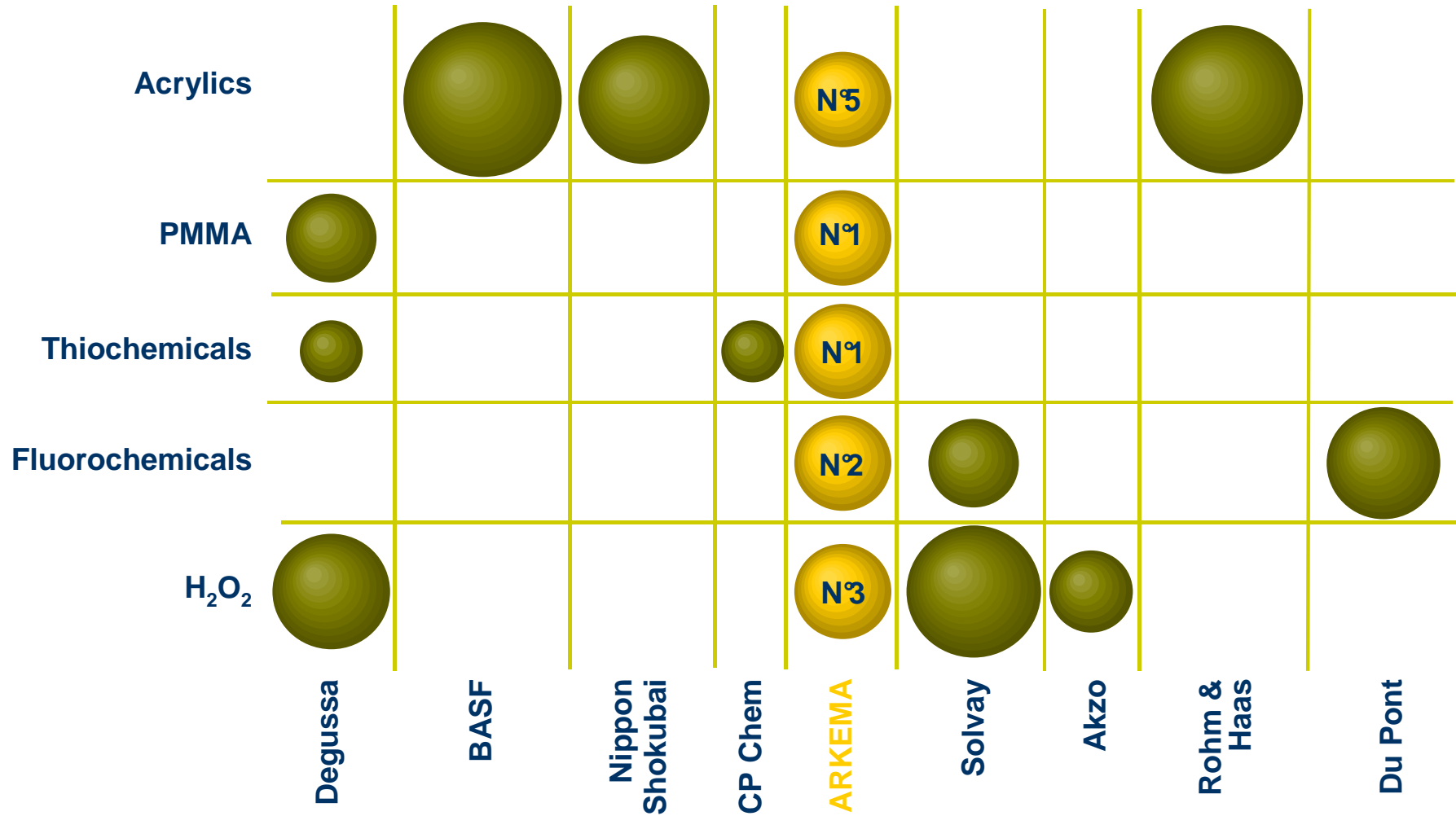


13% of segment sales

Rest of the world: 4% of segment sales






# Worldwide leadership positions



# A solid base for growth

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## Business highlights

-  **An attractive growth potential**
-  **Development of opportunities in Asia**
-  **Limited number of players**

## Competitive advantages

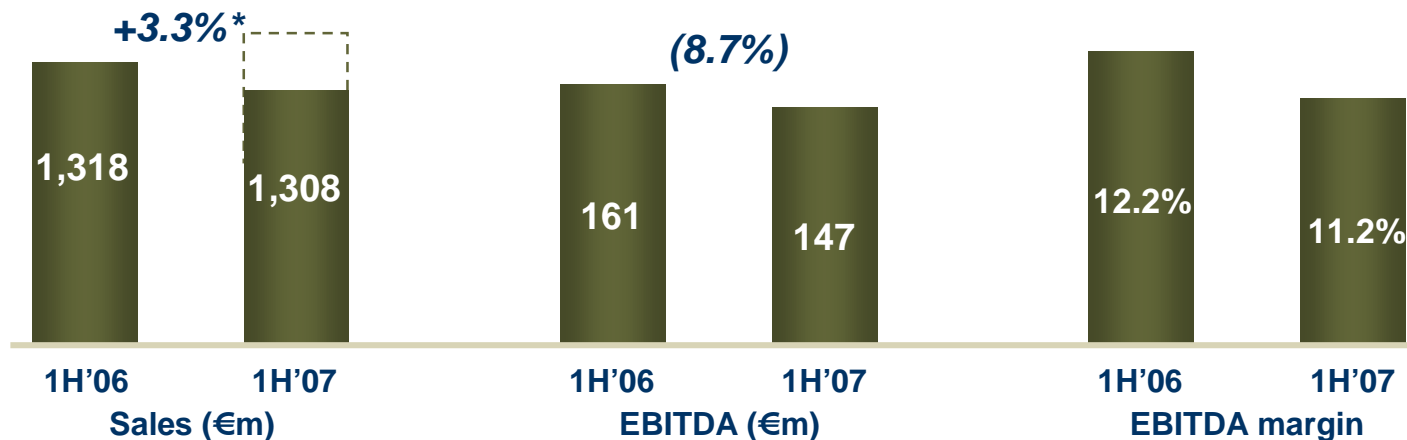
-  **Leadership positions in most product lines**
-  **Strong industrial asset base**
-  **Key expertise in proprietary technologies**

# A good resistance in 2006 despite less favorable market conditions

	2004	2005	2006
<b>Sales</b>	2,143	2,406	2,494
<b>EBITDA (recurring)</b>	220	316	267
<i>EBITDA margin</i>	10.3%	13.1%	10.7%
<b>Operating income (rec.)</b>	106	204	160
<i>Operating income margin</i>	4.9%	8.5%	6.4%
<b>Capex</b>	135	145	172
<b>Capital employed</b>	1,251	1,345	1,354
<b>Employees</b>	6,200	6,035	5,975



# More balanced contributions from BUs



- **Profit improvement in PMMA and Thiochemicals:**
  - Improved market conditions
  - First results of restructuring plans
- **Decrease in acrylics unit margins**
- **Tougher market conditions in Fluorochemicals**
- **Fixed cost reduction through:**
  - Implementation of restructuring plans (PMMA, Thiochemicals)
  - Launch of new plans (Acrylics, Thiochemicals, Fluorochemicals)
- **Disposal of non-core assets: specialty amines business in Riverview (US)**
- **Acquisition of Coatex: closing expected end 3Q'07**
- **1H'07 market conditions to prevail in 2H'07**



# Confident for 2008

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## **Market conditions expected to be similar to 2007**

- With some slight variations by BU

## **Growth projects**

- Debottlenecking of H<sub>2</sub>O<sub>2</sub> in Shanghai (mid-2008)
- Full impact of:
  - HFC-32 production unit in Calvert-City (US)
  - 10% H<sub>2</sub>O<sub>2</sub> production capacity debottlenecking in Jarrie (France)

## **Restructuring initiatives**

- Implementation of restructuring plans:
  - in Fluorochemicals at Pierre-Bénite (France)
  - in Acrylics at Carling (France)
- EBITDA impact of Thiochemicals restructuring plan in Lacq (France)

# Strategic initiatives

# Reinforce our global leadership position

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- 📊 **Lower cost base of European assets**
- 📊 **Accelerate growth in Asia**
- 📊 **Capitalize on proprietary technologies**
- 📊 **Study new opportunities of selected acquisitions**
  - To develop downstream integration in higher added value products (Acrylics, Fluorochemicals)
  - To reinforce our existing product lines

# Address major profitability issues

## Major initiatives launched

- 🗑️ **Shutdown loss-making units**
- 🗑️ **Focus on most competitive sites**
- 🗑️ **Reorganize manufacturing sites**

2005: Thiochemicals (France and US) - 134 p.  
2006: PMMA - 165 p.  
2007: Fluorochemicals - 196 p.

### Restructuring of PMMA sheet business in Europe



- 🗑️ **Consolidation of cast sheet production in Saint-Avoid (France)**
  - Closure of Leeuwarden (Netherlands)
  - Start-up of a new production line in Saint-Avoid (capacity x2)
- 🗑️ **Consolidation of extruded sheet production in Bernouville (Fr)**
  - Shutdown of Rho facility (Italy)
  - 5<sup>th</sup> extrusion line in Bernouville
- 🗑️ **165 positions - Completed 4Q'06**

# Ongoing optimization of our sites

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- 📦 **Reach a cost structure comparable to best industry standards**
- 📦 **Improve manufacturing processes**
- 📦 **Debottleneck production capacities with quick pay-back**

## **Thiochemicals Lacq (France)**

- 📦 **Streamline and optimize organization**
  - 48 positions
- 📦 **Debottleneck one of our strongest product line**
  - +30% DMDS production capacity

## **Acrylics Carling (France)**

- 📦 **Cost structure optimization**
  - 58 positions
  - Rationalization of procurement and maintenance processes
- 📦 **+15% increase of acrylic acid production capacity**
  - 240 kt/year → 275kt/year

# Capitalize on proprietary technologies

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## Debottlenecking projects with quick pay-back

- Carling (Fr): Acrylics → +15%
- Jarrie (Fr): H<sub>2</sub>O<sub>2</sub> → +10%
- Bécancour (Canada): H<sub>2</sub>O<sub>2</sub> → +20 kt/year
- Lacq (Fr): DMDS → +30%
- Jinhae (South Korea): PMMA → +20 kt/year



## Major development of our sites

- Start-up of new units in Beaumont (US) in partnership with Novus
- Retrofit of an HCFC plant into HFC 32 in Calvert-City (US)

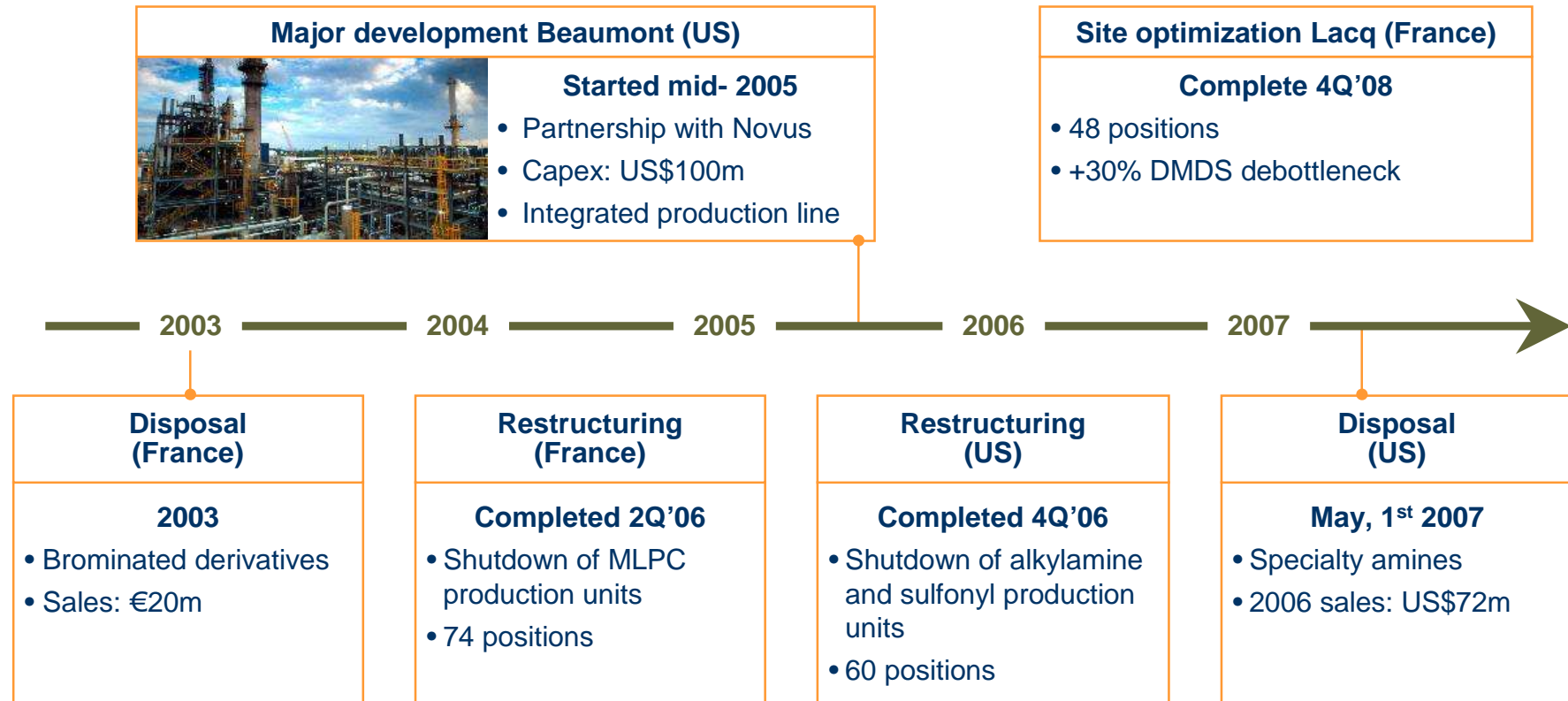


## Competitive advantage to grow in Asia

- Build new 125 production lines in Changshu (China) in partnership with Daikin using our production process developed by our R&D teams



# Thiochemicals: refocus on core product lines



*Focus on Hydrogen Sulfur derivatives*



# Grow through downstream integration

## Coatex – Company profile

- Main production: acrylic-based specialty polymers used as dispersants and thickeners
- Main markets: paper, paints, water treatment, cosmetics, textiles, construction and detergents
- 2006 Sales: €150 million
- 300 employees
- Production sites in France, Netherlands and US
- Strong relationships with end-user and former owner (Omya)

## Integration of Coatex within Arkema

- New business unit in Industrial Chemicals
- Short-term synergies on: SG&A, raw materials
- Mid-term synergies: development of new products and technologies



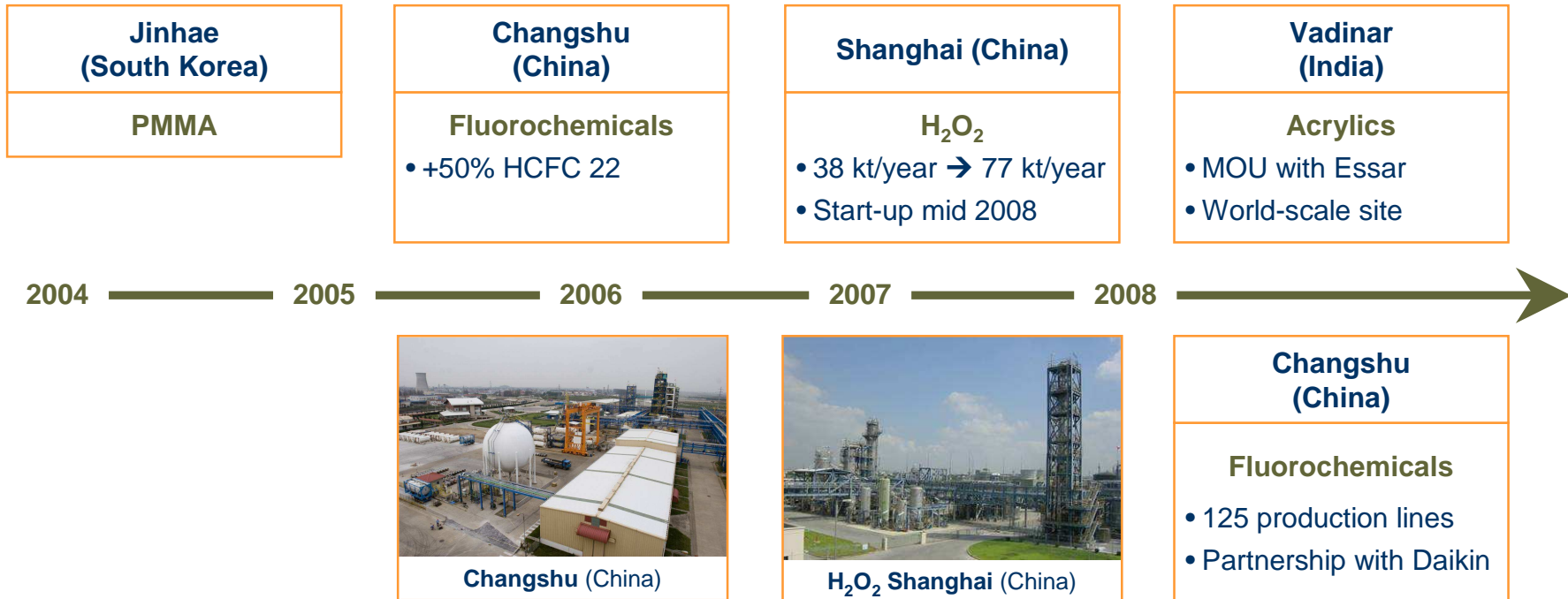
### *Acquisition criteria*

Reduce cyclicality	✓
Develop downstream integration	✓
Mid-size acquisition	✓



# Accelerate growth in Asia

- 🏭 **New units**
- 🏭 **Assets in several countries**
- 🏭 **Industrial partnerships**



# Reinforce our global leadership position

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- 📦 **Lower our cost base especially in Europe**
  - Major restructuring
  - Ongoing optimization

- 📦 **Reinforce our best product lines through**
  - Selected growth projects
  - Focus on Asian opportunities
  - Targeted acquisitions

**In 2010, 14 to 15% EBITDA margin target  
From 2010 on, sales growth: +4 to 5% per year**

*A clear vision supported by well-identified action plans to further strengthen Industrial Chemicals and establish Arkema as a profitable leading global player*