From renewed profitability to sustainable growth

Thierry Le Hénaff

Shanghai, October 21st 2008
A group already deeply transformed
Arkema at a glance

Diversified geographic base

- France: 18%
- North America: 22%
- Europe (excluding France): 42%
- Asia: 13%
- RoW: 5%

2007 sales €5.7 bn

Diversified end markets

% of Arkema sales

15 to 20% for each
- Chemical industry
- Construction

5 to 10% for each
- Electronics
- Coating & adhesives
- Automotive
- Packaging
- General industry

<5% for each
- Oil & Gas
- Energy
- Paper
- Environment sector
- Animal nutrition
- Health & hygiene
- Sport & leisure
- Infrastructure

Performance turnaround

2005 2007

Sales (€m) 5,710 5,675 +9% in USD
Rec. EBIT (€m) 128 293 +129% +152% in USD

Headcount

2005 2007

18,377 15,194 -17%
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

* 2007 figures.
% by segment computed excluding corporate
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

**Fixed costs**
- €500m fixed cost savings in 2010 vs. 2005
- Saint-Auban
- Pierre-Bénite
- Headquarters

**Asia**
- 20% sales in Asia in 2012
- H₂O₂ in Shanghai
- JV with Daikin in fluorogas
- PVDF in Changshu

**R&D**
- New Products*: 20% in 2010 of Performance Products sales
- Renewable polymers (Pebax®)
- Photovoltaic (Kynar®)
- Nanomaterials (Nanostrength®)
- Low global warming fluorogas (Forane®)

**M&A**
- €300 to 400m to be divested
- €500 to 800m to be acquired
- Cerexagri (*sold*)
- Urea formaldehyde resins (*sold*)
- Coatex (*acquired*)

* Products less than 5 years old
Step by step transformation

2004-2005
Prepare spin off

2006-2008
Restore profitability

2009-2010
Positioned for growth

Beyond 2010
Reaching best in class

Our two targets
+10 to 15% per year
Average EBITDA growth

2005 2008

12%*
EBITDA margin

2010

Ability to deliver

*EBITDA margin in mid-cycle conditions under a normalized environment
Arkema outperformed targets

Objective announced in May 2006: EBITDA to grow by between 10 and 15% per year on average between 2005 and 2008

- 2005: 6.2%
- 2006: 7.3% (+16%)
- 2007: 9.1% (+21%)
- 2008(e): 10% (~+10%)

> +15% per year EBITDA growth on average
2010 outlook and beyond
Half EBITDA growth for next two years (2009/2010) supported by projects already launched

Total EBITDA impact in 2009 and 2010

- Acquisitions
  - Repsol PMMA
  - Co tex

- New products and geographical expansion
  - HFC-32 Calvert-City
  - PMMA capstock
  - H₂O₂ Shanghai
  - New PVDF applications
  - DMDS for soil fumigation
  - JV with Daikin
  - H₂O₂ Leuna

- Productivity
  - Chlorochemicals plan
  - Site optimization (Lacq, Carling)
  - Fluorochemicals Pierre-Bénite
  - Restructuring of Functional Additives
  - Reduce variable costs

- Fluorochemicals Pierre-Bénite
- H₂O₂ Leuna
- DMDS for soil fumigation
- JV with Daikin
- H₂O₂ Shanghai
- New PVDF applications
- HFC-32 Calvert-City

Total EBITDA impact:
- +€35m
- +€65m
- +€25m
- +€5m
12% EBITDA 2010 target confirmed*

Projects already launched
- €65m

Productivity
- €70m

New products and geographical expansion
- €30m

M&A
- €40m

2008

- €140m

12%*

2010

€75m

- €170m fixed cost savings
- €(80)m inflation on fixed costs
- €(40)m volume loss from restructurings
- €50m impact from restructuring initiatives
- €20m gains on variable costs
- €70m productivity

Cumulated fixed cost savings since 2005

€0m

2005

2008(e)

2010(e)

€330m

€500m

* EBITDA margin in mid-cycle conditions under a normalized environment
A new profile is emerging

- Profitable
- Focused
- Quality of organization
- New culture
- Innovative

Still significant potential beyond

- 6% EBITDA margin in 2005
- 10% EBITDA margin in 2008
- 12% EBITDA margin* in 2010

* EBITDA margin in mid-cycle conditions under a normalized environment
Quality of the portfolio

Vinyl Products 24%

Industrial Chemicals 42%

Performance Products 34%

Five core technology platforms 52%

Specialty niches 24%

Vinyl Products 24%

Chlorine, Caustic soda, PVC

Acryls
Methacylates
Thiochemicals
Fluorochemicals
Polyamides

Organic peroxides, molecular sieves, glass coatings, H₂O₂, etc.
Vinyl Products

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

<table>
<thead>
<tr>
<th>Strategic raw materials</th>
<th>Integrated chain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acrylcs</strong></td>
<td>Propylene</td>
</tr>
<tr>
<td><strong>Methacrylates</strong></td>
<td>Propylene / methanol</td>
</tr>
<tr>
<td><strong>Thiochemicals</strong></td>
<td>Sulfur</td>
</tr>
<tr>
<td><strong>Fluorochemicals</strong></td>
<td>Fluor spar</td>
</tr>
<tr>
<td><strong>Polyamides</strong></td>
<td>Castor oil / Butadiene</td>
</tr>
</tbody>
</table>

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

**EBITDA margin potential: 15 to 20%**

* Normalized conditions

Shanghai, October 21st 2008
## Successful model for the long term

- Securing competitive long term access to strategic raw materials
- Building manufacturing footprint in each major geographical zone
- Increasing downstream through M&A and organic growth

### Strategy

<table>
<thead>
<tr>
<th>Acrylics</th>
<th><strong>bolt-on acquisition of high value polymers</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Methacrylates</td>
<td><strong>better focus on growing segments</strong></td>
</tr>
<tr>
<td>Thiochemicals</td>
<td><strong>leveraging our leadership position</strong></td>
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<tr>
<td>Fluorochemicals</td>
<td><strong>taking advantage of new regulations</strong></td>
</tr>
<tr>
<td>Polyamides</td>
<td><strong>building on unique technical properties</strong></td>
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</table>

### Recent initiatives

- **Acquisition of Coatex**
- **Reorganization in Europe**
- **Beaumont/Novus, fumigation**
- **HFC-32, HFC-125, LGWP**
- **High temp., Clear and Rnew**

Eventually reaching best in class
Fluorochemicals

Diversified end markets
Air conditioning & refrigeration, foams, solvents, aerosols, coatings, architectural, electronics, automotive, energy, chemical processing

Competitors
Coleader worldwide in PVDF and # 2 in fluorogas
Dupont, Honeywell, Solvay, Ineos

Attractive competitive advantages
- Wide range of fluorogases
- Competitive, integrated and global asset base
- Technology on new generation of fluorogases (HFC-32, HFC-125, LGWP)
- Unique innovation skills in PVDF (photovoltaic, Aquatec™, etc…)
- Highly recognized brands (Kynar®)

Fluor spar

Strategic raw materials

Monomers

Polymers / downstream

PVDF

HCFC

HFC, blends

Fluoropolymers 6% growth in PVDF
Refrigeration 2 to 3% a year growth in fluorogases

Diversified end markets

Competitors

Attractive competitive advantages

Shanghai, October 21st 2008
Kynar® PVDF: an exemplary success

- Oil & Gas
- Photovoltaic modules
- Drugs, vaccines, medicines
- Cool roofing
- Next generation batteries
- Potable water

+6% market growth
Polyamides

Diversified end markets
Automotive, sport and leisure, cosmetics, electronics, oil and gas

Competitors
# 1 worldwide PA11  # 3 worldwide PA12
Evonik, EMS, UBE

Attractive competitive advantages
- High profile branding (Rilsan®, Pebax®, Orgasol®)
- R&D expertise (transparent, high temperature)
- Position on renewable materials
- Integrated chain

Strategic raw materials
- Castor oil
- Butadiene

Monomers
- Amino 11
- Lactam 12

Polymers / downstream
- Polyamide 11
- Polyamide 12

Estimated market growth
4% a year
Polyamides: growth through innovation

- **Develop bio-based applications**
  - Rilsan® 11 P210
  - Pebax® & Platamid® Rnew
  - O&G Deep Blue
  - A11 Based Orgasol®

- **High temperature polyamides**
  - Injection PA High Tc

- **Specialty niches and differentiation**
  - Rilsan® Clear
  - Pebax® Sport
  - Transparent Pebax®
  - Crosslinkable Copolyamides
  - Laser Sintering Grades
  - Orgasol® Caresse
Specialty niches

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

<table>
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<tr>
<th>Diversified end markets</th>
<th>Paper, polymers, packaging, petrochemicals, oil &amp; gas, construction, food and beverage, detergents, cosmetics, automotive, glass</th>
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</thead>
<tbody>
<tr>
<td>Competitors</td>
<td>Evonik, Akzo Nobel, Chemtura, Rohm &amp; Haas, Solvay, etc.</td>
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- Focused portfolio
- Growing niche end markets
- Unique R&D pipeline
- Leadership positions
- Customized grades
- Bolt-on acquisitions

**EBITDA margin potential > 15%**
Innovation at the heart of our projects

Low GWP fluorogases
Specialty acrylic polymers
Kynar® Aquatec™
Transparent polyamides
Bio-based polyamides

High temperature polyamides
Glycerol recovering
Supramolecular
Nanostructured materials
DMDS for soil fumigation
Photovoltaic
Towards sustainable growth beyond 2010

Contribution from investments to Arkema’s long-term growth

- PMMA sheets Carling
- H₂O₂ Shanghai
- Acrolein / MMP Beaumont (USA)
- Acrylic acid Carling
- EVA Balan
- Organic Peroxides Changshu
- Orevac® Mont
- VCM Fos / Lavéra
- H₂O₂ North America
- Forane® 22 Changshu
- Heat stabilizers Beijing
- 2EHA Carling
- Forane® 32 Calvert City
- Hydrazine Lannemezan
- H₂O₂ Leuna
- DMDS Lacq
- H₂O₂ Jarrie
- Kynar® Changshu
- Forane® 125 Changshu
- Molecular sieves Inowroclaw

2005

2008

2011
Arkema, ambition beyond 2010

- Deliver our targets

- Top priorities:
  - transformation of the company
  - quick adaptation to change of macro economic environment

- High-potential activities beyond 2010

- Convinced of potential to reach best in class

Committed to sustainable value
Asia at the heart of Arkema’s transformation strategy
Asia: a key vector of our strategy

Main sites in Asia

Arkema sales in 2007

- 1984: start of operations in China
- 2008: 10 production sites / 5 in China
- Main product lines:
  - $H_2O_2$, Fluorochemicals, PMMA, Acrylics
  - Functional Additives, Polyamides
- 1 R&D center in Japan
- 1,300 employees (8% of total workforce)
Ambitious expansion

Projects launched since spin off
- tin stabilizers in Beijing
- hydrogen peroxide in Shanghai
- organic peroxides, polyamides, slush molding, Kynar®, F125, blends in Changshu

Selective and profitable growth

An openly stated growth target: 20% of sales by 2012

Industrial partnerships

A twofold approach:
- developing sites dedicated to a single activity: Shanghai, Beijing
- a well integrated and competitive platform: Changshu
Targeted projects

Most chemicals manufacturers have a growing presence in Asia, in particular with a very high concentration of projects in China.

Arkema’s specific approach:

- Boost product lines that enjoy a competitive edge: world leading position
- Capitalize on a solid industrial and technological base
- Operate world-scale facilities
- Favor local partnerships, in particular to facilitate access to raw materials and secure our supplies
Arkema Shanghai Hydrogen Peroxide

Growing market in North East Asia:
- > 10% per year in China
- Regional market with some global customers

A changing Chinese market:
- Local production limited to low concentration (27.5%)
- Limited imports availability (Thailand, Korea)
- Announcements of slowdown in capacity expansion by Chinese producers

Arkema’s competitive advantages:
- Leadership position in H₂O₂
- World-scale competitive units
- Manufacturing and process know how
- Reliability and quality

Start up end 2000
- JV with Shanghai Coking (hydrogen supplier)
- Ideally located

Capacity expansion: 80kT
- Capitalize on our recognized leading position in China
- Strong market growth
H$_2$O$_2$ : worldwide presence

Arkema’s H$_2$O$_2$ worldwide capacity:

~ 330kt in 2004/05 ➔ ~ 440kt in 2010
Changshu: a well integrated platform

A growing industrial platform
€200m invested on the site since its creation

2000
Start-ups
Fluorochemicals
Polyamides

2005
New
Organic Peroxides

2006
Fluorochemicals and Polyamides, expansion
Start-up Slush Molding

2007

2008
Next HFC-125 unit

2009

2010
New Kynar® PVDF unit

2011

New projects to establish our leadership in Fluorochemicals

Products and applications

• Forane® (fluorochemicals): air-conditioning
• Organic Peroxides: rubber, PVC, polyethylene
• Platamid®: textile and garment industries
• Slush molding: automotive industry
Others Arkema’s chinese plants
Arkema Beijing Chemicals Co., Ltd.

Activity
Production and sales of organotin stabilizers for the PVC industry

History
• 1993: Sino-French JV started
• 2001: Fully owned enterprise
• 2002: New site of Tongzhou at 35km from Beijing

Products and applications
Packaging, construction materials and pipe products,
Arkema (Guangzhou) Chemicals Co., Ltd

Activity
• Production and sales of opacifiers and antimony triacetate catalyst and related products
• Two production units: W-500 et S-21

History
• 1996: JV started
• 2002: Fully owned

Products & applications
• Ceramic opacifiers for glazes products
• Catalyst for polyester used in textile industry and bottle packaging
Shanghai Arkema Gaoyuan Chemical Co., Ltd.

Activity
Production and sales of copolyamides Platamid®

History
• 1998: JV started
• 2002: New plants

Products & applications
Copolyamides used in textile and garment industry
Asia: 20% of Arkema’s sales by 2012

4 key countries

Objective: 20% of sales in Asia by 2012
Current outlook for Asia for 2010 - 2012

- €200m additional investments by 2012

Main areas:

- Continued growth for H₂O₂ in China
- Acrylic monomer and polymer production plants
- Continued development of fluorochemicals activity around Changshu facility
- Stronger technical expertise for polyamides activity in China, in liaison with Kyoto Technical Center
Disclaimer

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

A global chemical company and France’s leading chemicals producer, Arkema consists of three strategically related businesses: Vinyl Products, Industrial Chemicals and Performance Products. Arkema reported sales of 5.7 billion euros in 2007. Arkema has 15,200 employees in over 40 countries and six research centers located in France, the United States and Japan. With internationally recognized brands, Arkema holds leadership positions in its principal markets.