Arkema

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UBS Global Basic Materials Conference

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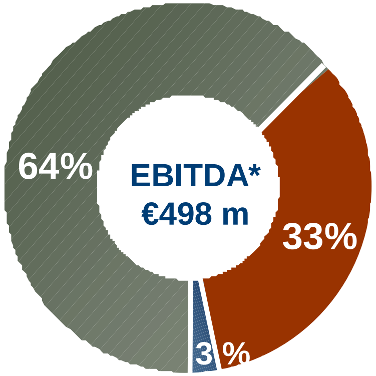
Arkema’s business segments

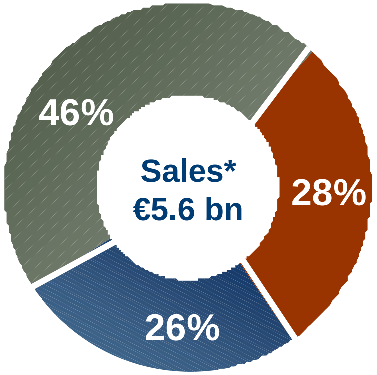
Industrial Chemicals

• Large integrated chemical lines
• Worldwide leadership positions



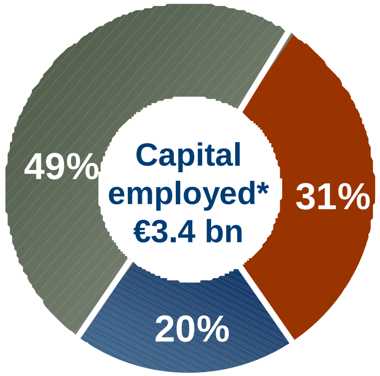
Performance Products

• Innovative solutions
• World leadership in niche segments



Vinyl Products

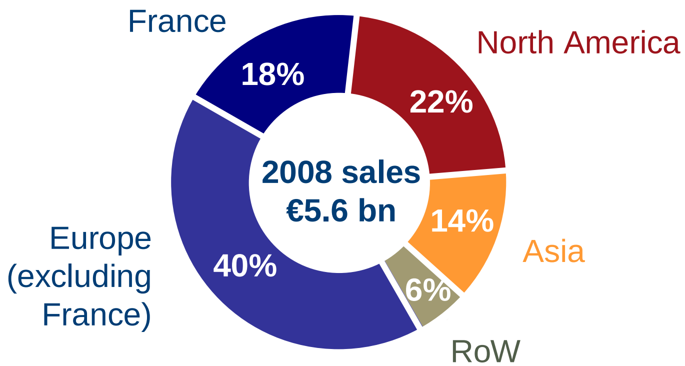
• Well integrated caustic soda and PVC producer
• # 3 in Europe in PVC



** 2008 figures. % by segment computed excluding corporate*

Arkema at a glance

Diversified geographic base

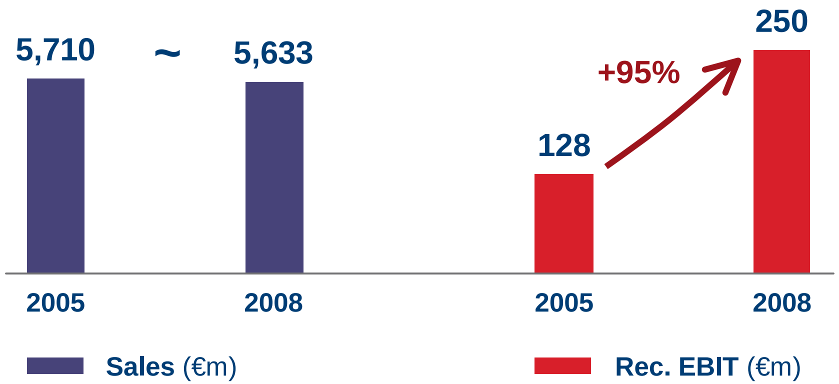


Diversified end markets

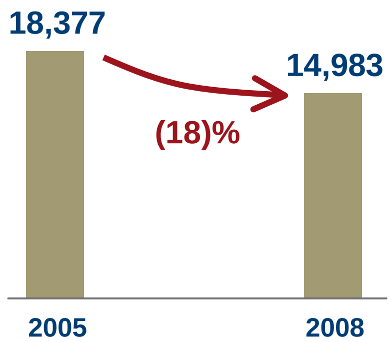
% of Arkema sales

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



Headcount



2005 to 2008

> *First step: fully achieved*
> *Spin off targets: delivered*

Spin off targets achieved

	Initial targets*	2008 achievements
EBITDA growth (2006-2008)	**+10 to 15%** per year on average	**+12%** per year
Working capital	**20%** of sales in 2008	**18.7%**
Free Cash Flow (FCF)**	**Positive**	**+€68m**
Gearing	**30 to 40%**	**25%**
Divestments	**€300 to 400m** of revenues in 3 years	**€400m** divested

** Set in 2006*

*** Excluding M&A and NR pre-spin off items*

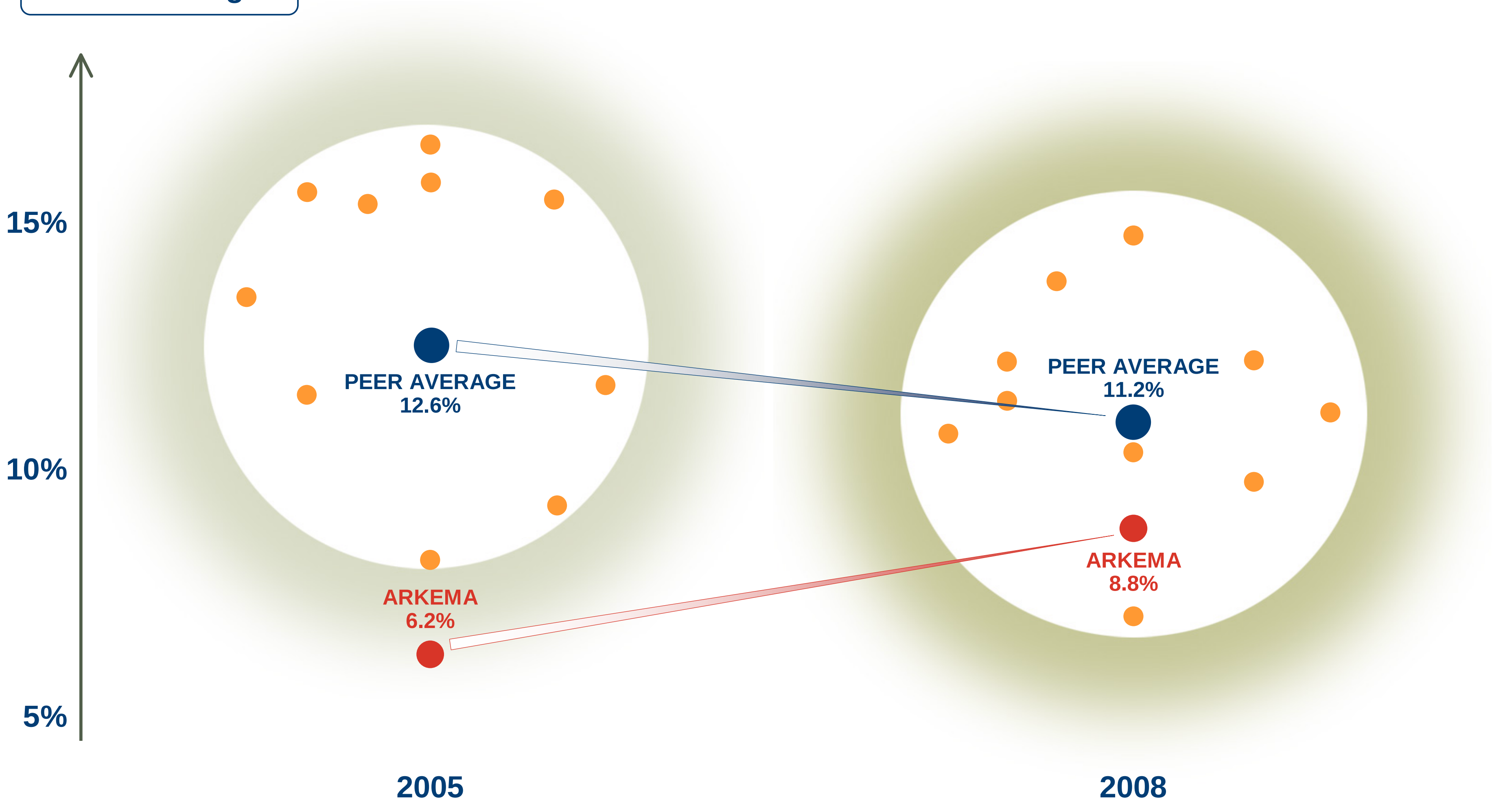
Unfavorable macroeconomic environment

	2005	2008
€/$ exchange rate	1.24	1.47
Raw Material Index	140	190
PVC cycle	Mid	Low
Acrylic acid cycle	High	Low
Global demand	Average	Unprecedented customer de-stocking in 4Q'08

-€120m cumulative impact from economic environment over 3 years

Gap halved vs industry in 3 years

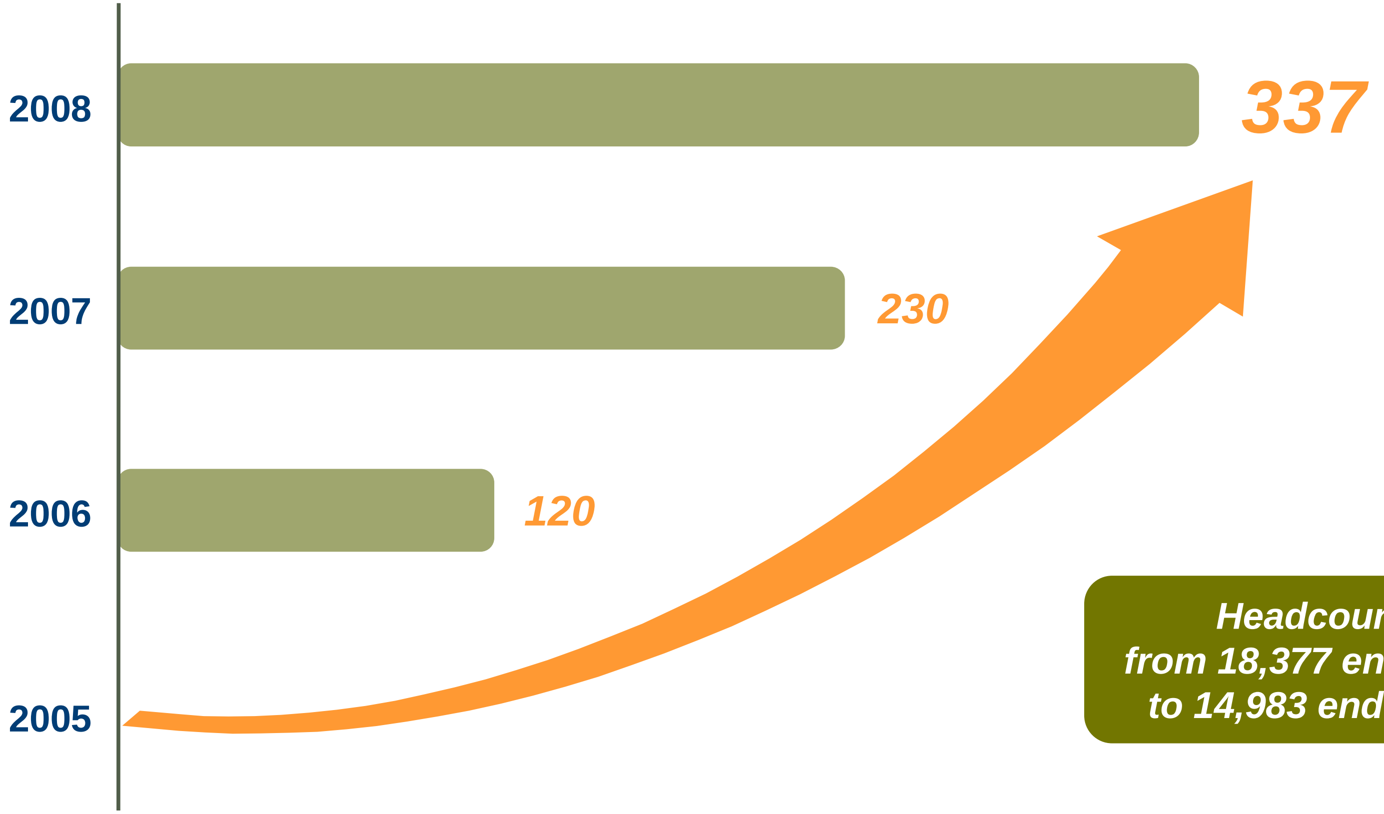
EBITDA margin



Peer average includes: Akzo Nobel (excluding Pharmaceutical), BASF (excluding oil&gas), Celanese, Ciba, Clariant, Dow, Lanxess, Rhodia (excluding CER), Rohm & Haas and Solvay (excluding Pharmaceutical)

Focusing on productivity

Cumulated gross fixed cost savings in €m



Headcount
from 18,377 end 2005
to 14,983 end 2008

Selective growth: +€82m EBITDA

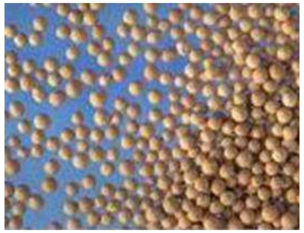

Calvert-City (US)


Clear polyamides


Changshu (China)


Glass coating


Oil fields additives


Molecular sieves


Beaumont (US)


Photovoltaic panels


Balan (France)

+€82m

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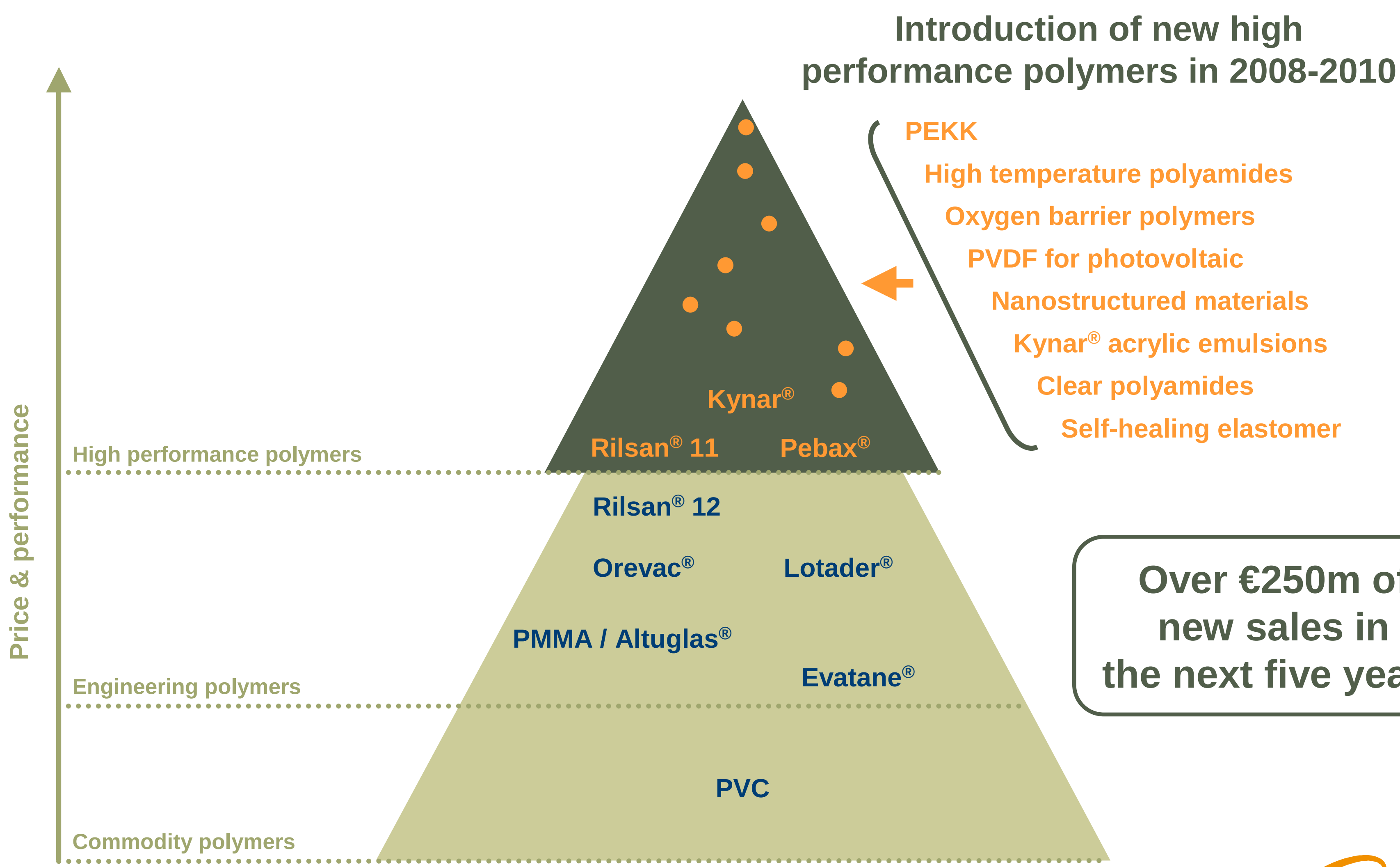
Stepping up the number of high performance materials



Over €250m of new sales in the next five years

More focused portfolio

€200m sales acquired

- Coatex
- Repsol PMMA
- Odor-Tech

€400m sales divested

- Cerexagri
- Urea formaldehyde resins
- Specialty amines
- Water treatment
- Superabsorbents

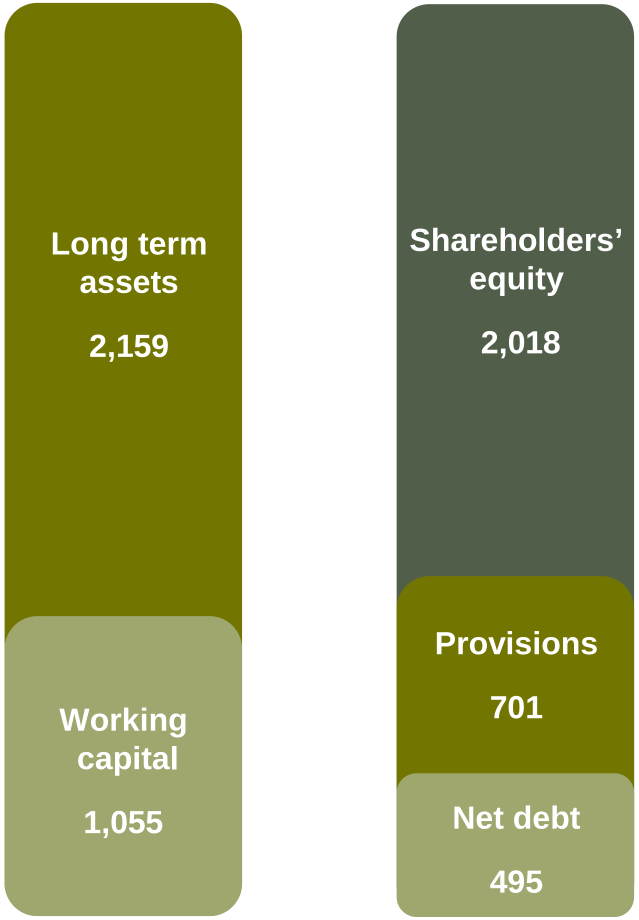
Net impact

Sales	€(200)m
FY EBITDA*	+€30m
Cash outflow	€(160)m

** After implementation of synergies*

Strong balance sheet maintained

in €m



18.7% working capital/sales ratio

Provisions include:
- €109m restructuring
- €233m pensions
- €143m environment
- €216m others

€359m out of €701m provisions are booked through EBITDA

Net debt/EBITDA end 2008 = 1

€1.1bn syndicated credit line
- bears short term interests
- at 32.5 basis points
- maturity*: March 2013

** €1,100m end of March 2011, €1,094m end of March 2012 and €1,049m end of March 2013*

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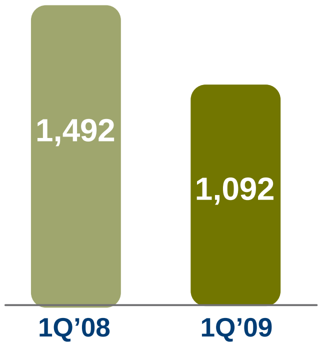
1Q'09 results

> *Fast acting in a very challenging environment*

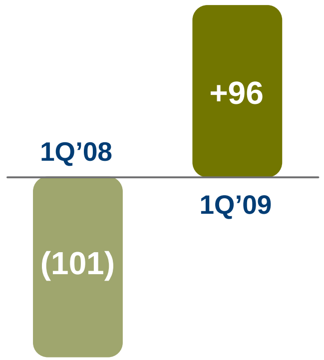
Strong cash generation in tough market conditions

-27% sales



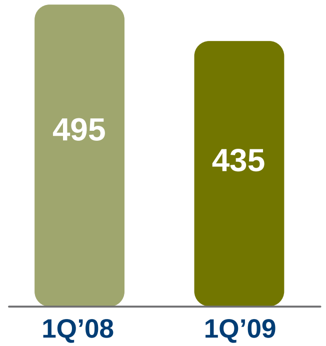
Sales (€m)

Strong cash generation



Free cash flow (€m)*

Low net debt



Net debt (€m)

> Tough economic environment

- Weak demand with volumes at -27%
- Economic environment similar to the end of 4Q'08

> High fixed cost savings

- Implementation of restructuring plans
- Quick adaptation to current level of demand
- Strong emphasis on non-payroll costs

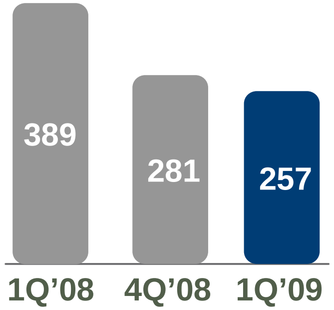
> Significant positive cash flow and low gearing (21% net debt to equity ratio)

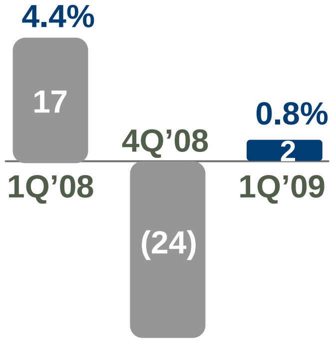
> Solid performance of Industrial Chemicals segment

* *Free cash flow before M&A*

Results by segments

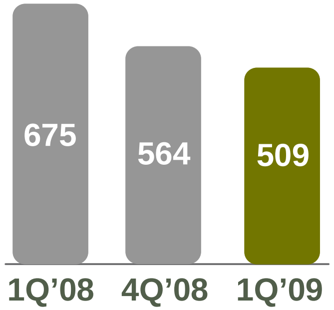
Vinyl Products: Positive EBITDA

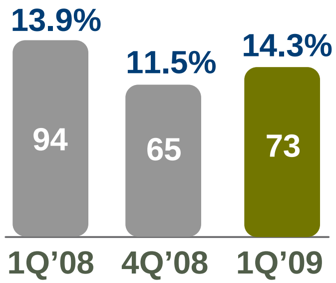




- Good prices in caustic soda (strong decline in 2Q'09)
- Decrease of ethylene cost resulting in lower PVC prices
- Sharp contraction of demand & further de-stocking at customers
- Benefits from restructuring initiatives (downstream PVC)

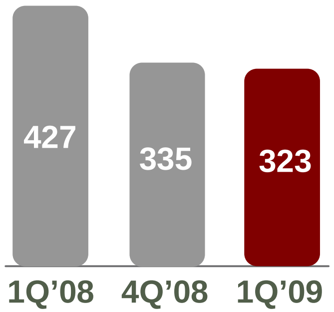
Industrial Chemicals: Good resilience

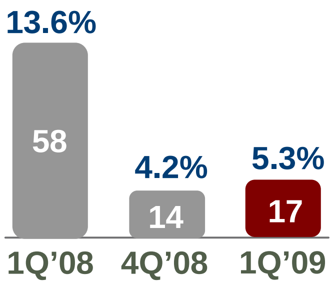




- Sharp contraction of demand in most end-markets
- Pressure on Acrylics prices and deterioration in market conditions for MMA in Europe
- Price increases in all other business units
- Good resilience of Thiochemicals and Fluorochemicals
- Positive contribution from productivity initiatives and tight control of fixed costs

Performance Products: sharp decline in volumes





- Contraction of demand in construction, automotive or electronics strongly affected volumes in Functional Additives & Polyamides
- Price increases in all business units
- Good resilience of Specialty Chemicals
- Fixed cost savings (restructuring and strict control of costs)

Sales (€m)

EBITDA (€m) & EBITDA margin

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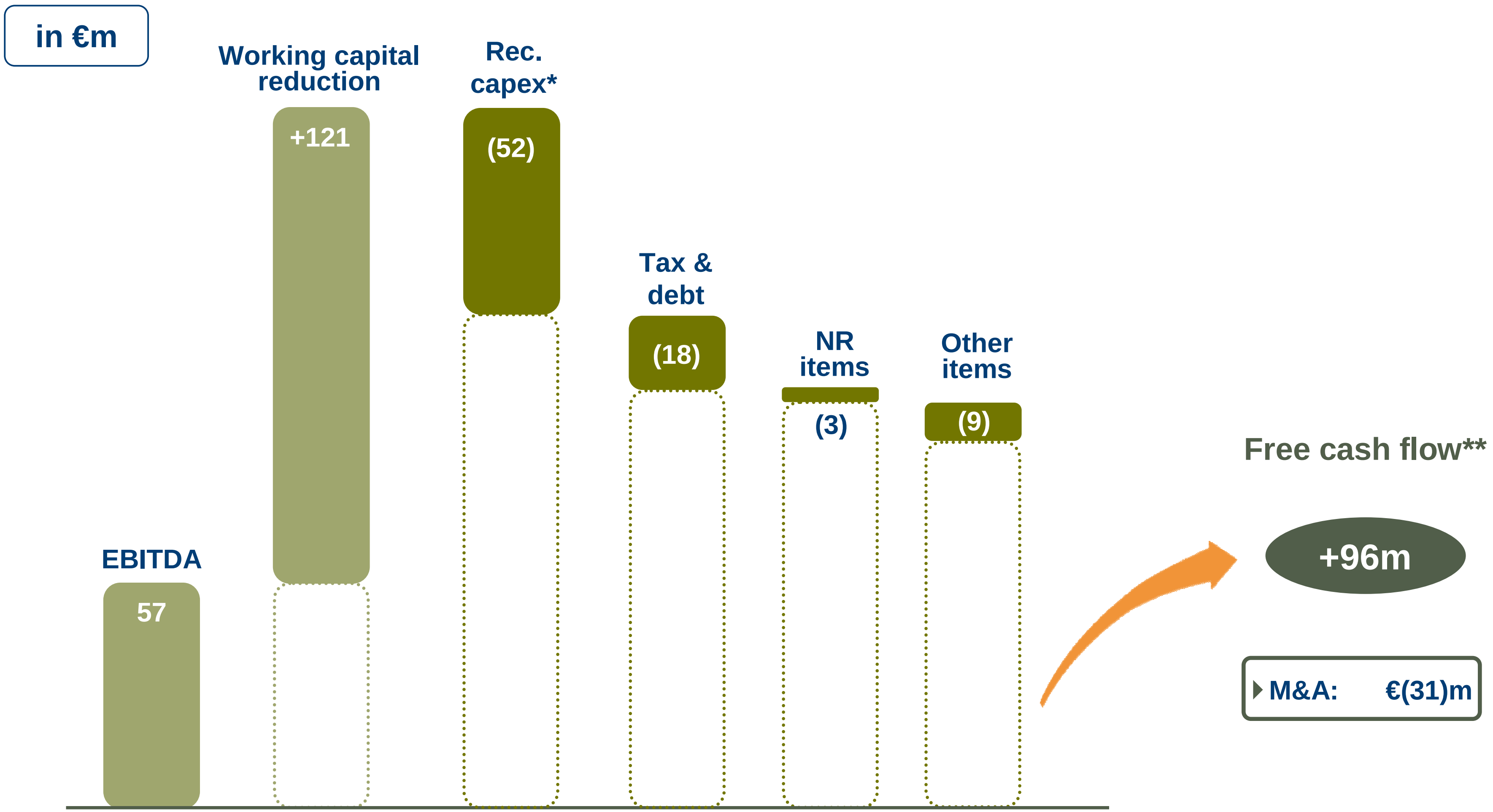
Significant positive cash flow



* *Excluding CAPEX related to the acquisition of assets (included in M&A)*

** *Free cash flow before M&A*

>+€85m of new structural EBITDA in 2009

> Reinforced cost savings program

- €500m cost savings target increased to €550m*
- Implement announced projects
  - New productivity plans** in Vinyl Products (> 350p.)
  - Optimization of purchasing services: +€35m savings (FY basis)
  - Realignment of PMMA business
- New initiatives to adapt to current economic conditions

> €55m EBITDA impact

> New business and M&A

- New generation of fluorogases
- New development for PVDF and polyamides
- Increase market penetration in oil & gas related businesses
- Successful integration of bolt-on acquisitions in 2008

> €30m EBITDA impact

** In 2010 vs. 2005*

*** Subject to information/consultation of the work council*

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2009 outlook

> **Very limited visibility**

> **Assume a very challenging 2009 environment**

> **Priority to cash and fixed cost management confirmed**

- Positive 2009 free cash flow*
  - Cash from working capital optimization: +€100 to 150m
  - CAPEX level lower than €270m
- EBITDA gain from structural projects greater than €85m
- €550m fixed cost savings target in 2010 vs 2005 confirmed

> **Strong adaptation to the economic environment**

- Adjust production capacity to the level of demand
- Tight control of fixed costs
- New initiatives: US$50m cost-cutting plan in the US

****FCF= Free Cash Flow before M&A***

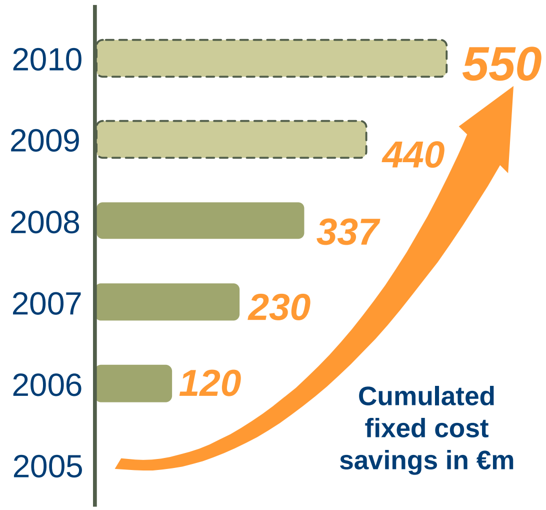
Mid-term outlook

> *Pursue in-depth transformation of the company*

Long term strategic orientation maintained

- 12% EBITDA margin target in 2010 under normalized conditions
  - **Normalized conditions rather expected in 2011**

- €500m cost savings target in 2010 vs 2005
  - **Increased to €550m**
  - **€220m in 2009 and 2010**



- Cumulated structural gains over 2005-2010 from internal projects
  - **€400m EBITDA gain**
  - **€250m improvement of working capital**

Long term ambition unchanged: reach best-in class level

Remained focused on Arkema transformation: towards a higher growth portfolio

- Build on five core technology platforms
  - **Strong integration monomers / polymers**
- Reduce relative weight of Vinyls
  - **~ 15% of total sales**
- Build a real portfolio of specialties
  - **Small size divestments of non core lines**
  - **Small bolt-on acquisitions if financial flexibility allows**
  - **R&D commitment to sustainable development and high performance materials**
- Reinforce presence in Asia
  - **20% of sales in 2012 target confirmed**
  - **Changshu to be in 2011 the 3rd largest site worldwide**

Vinyl Products	Five core technology platforms	Specialty niches
	Acrylics	
	Methacrylates	
	Thiochemicals	
	Fluorochemicals	
	Polyamides	

Changshu platform (China)

Facing the current economic crisis, while preparing for the recovery

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Conclusion

> **3 years on, all spin off commitments delivered**

> **2009 economic environment expected to be very challenging**

> **Quick and strong response to the current economic crisis**
- First priority: control cash and preserve solid balance sheet
- Reinforce cost saving program
- Positive free cash flow* in 2009

> **Long term ambition maintained**

> **Dividend at €0.60 per share in line with results**

***** before M&A***

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Appendices

Full year 2008 results

Solid results in a challenging environment

Delivering solid results

- **€498m EBITDA including**
  - - €17m FX rate translation impact
  - - €23m inventory write-downs in 4Q'08
- **€100m net income**

Rigorously guard financial strength

- **+€68m free cash flow***
- **Credit line maturity in 2013**
  - €495m net debt = 1x EBITDA (covenant at 3x)
  - €690m undrawn syndicated credit line

Quick response to demand collapse in 4Q'08

- **Adaptation of production to demand level**
- **Actions taken to prioritize cash**
  - Reduce inventory
  - Reinforce cost control of any expenses
  - Further productivity initiatives announced

Challenging environment

- **In the first 3 quarters 2008**
  - Solid demand
  - Historically high raw material & energy costs
  - Unfavorable US$/€ exchange rate
- **In the 4th quarter 2008**
  - Unprecedented decline in demand
  - Customer de-stocking across supply chains
  - Resilience of several product lines (Fluorochemicals, Thiochemicals, Specialty Chemicals)

** Free cash flow before -€54m non-recurring pre-spin off items (included in net debt at spin off) and -€25m M&A*

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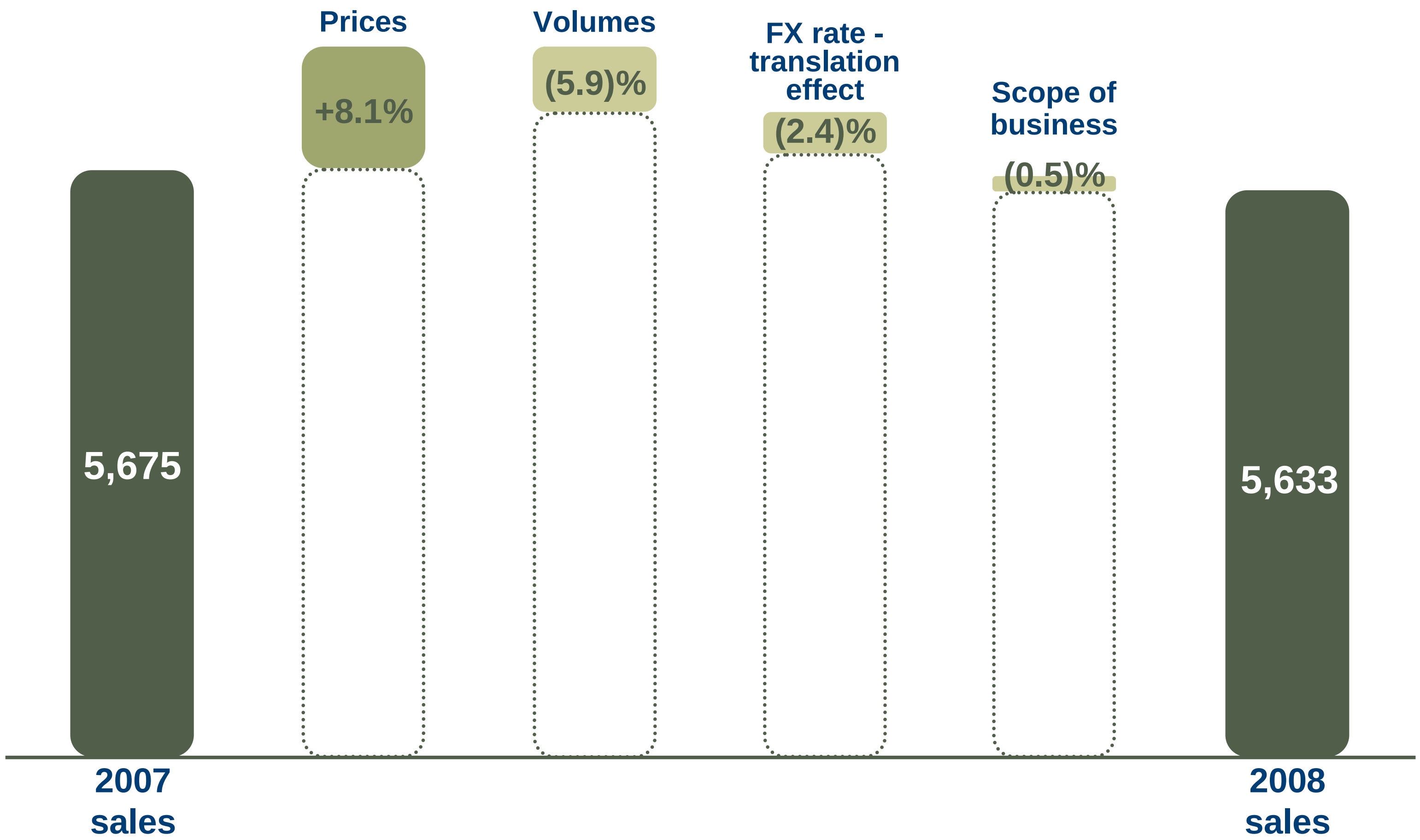
Full year 2008 key figures

in €m (except EPS)	2007	2008	Variation
Sales	**5,675**	**5,633**	***(0.7)%***
EBITDA	**518**	**498**	***(3.9)%***
EBITDA margin	***9.1%***	***8.8%***	
Recurring operating income	**293**	**250**	***(14.7)%***
Net income (group share)	**122**	**100**	***(18.0)%***
Adjusted EPS (diluted)	**3.06**	**2.41**	***(21.2)%***

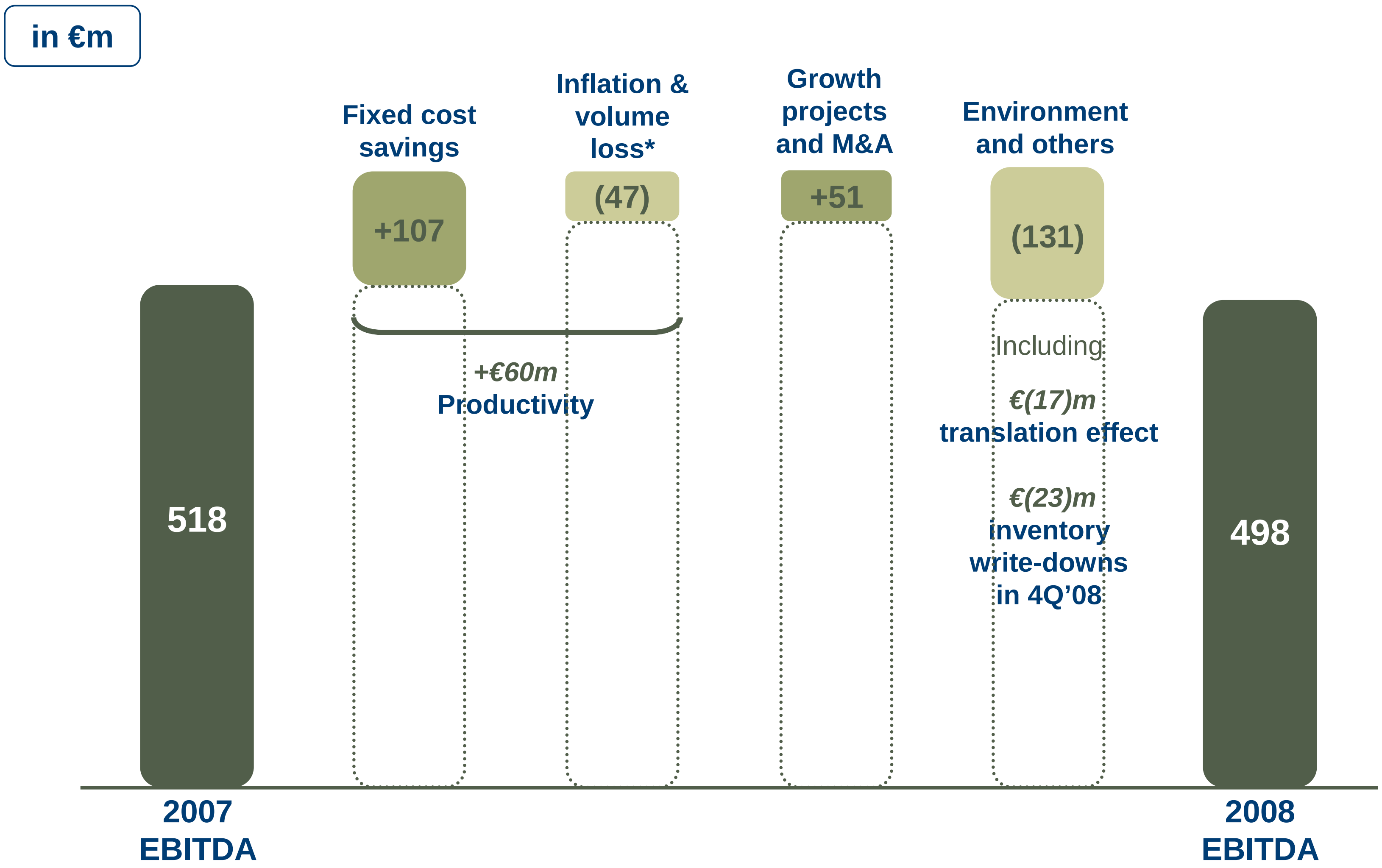
Proposed dividend at €0.60 per share

Sales growth of +2.2% at constant perimeter and exchange rate

in €m



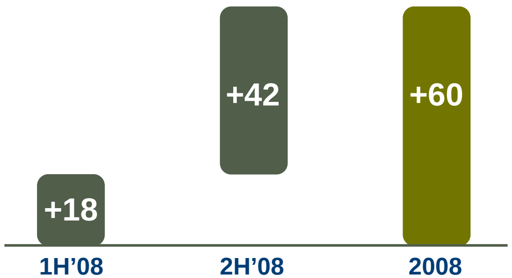
Structural projects almost compensated for negative environment impact



*** Inflation of fixed costs and volume losses from restructuring initiatives***

Structural projects: +€111m vs +€80m initial target

+€60m EBITDA
from increased focus on fixed costs



EBITDA impact (€m)

> **Benefits from restructuring plans in:**
- Chlorochemicals and PVC downstream (France)
- Fluorochemicals at Pierre-Bénite (France)
- Thiochemicals at Lacq (France)
- Polyamides at Serquigny and Marseille (France) and Bonn (Germany)
- Functional Additives in the US
- Shared services centers in HR & Accounting

> **Tight control of all types of fixed cost**

> **Quick reaction to collapse of demand in 4Q'08.**

+€51m EBITDA
from new business and M&A

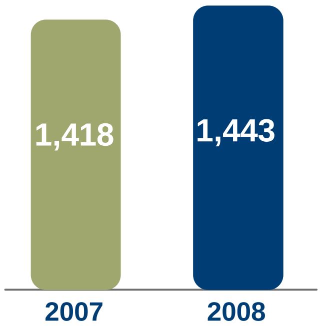
Photovoltaic

Coatex

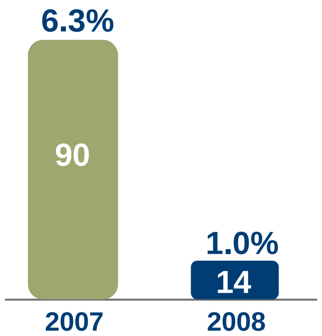
Calvert-City (US)

Vinyl Products: margin squeeze in PVC

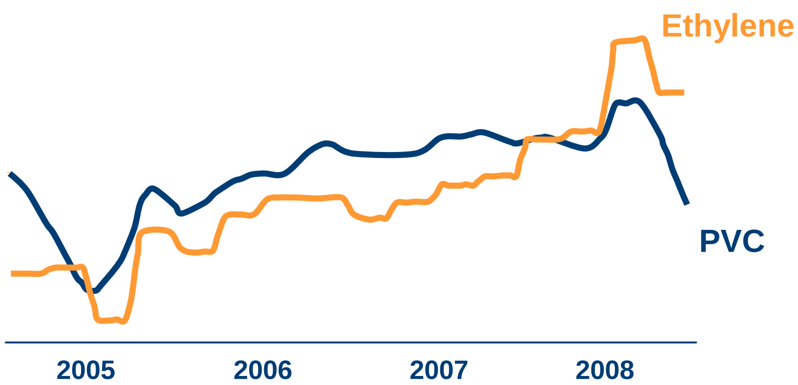
2008 Performance



Sales (€m)



EBITDA (€m) & EBITDA margin



Source: Harriman

Pursue reorganization in market adversity

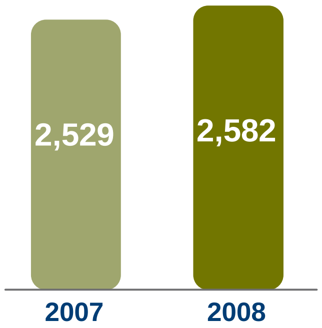
> **Positive**
- Good demand and prices in caustic soda
- Benefits from restructuring initiatives
- Strong focus on manufacturing efficiency

> **Negative**
- Significant margin squeeze in PVC due to historically high increase of ethylene cost
- In 4Q'08, sharp contraction of demand combined with PVC price decline

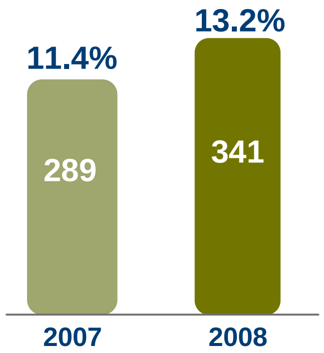
> **Further restructuring plans announced end 2008**
- > 350 positions
- Progressive impact up to 2011

Industrial Chemicals: +18% EBITDA growth

2008 Performance



Sales (€m)



EBITDA (€m) & EBITDA margin

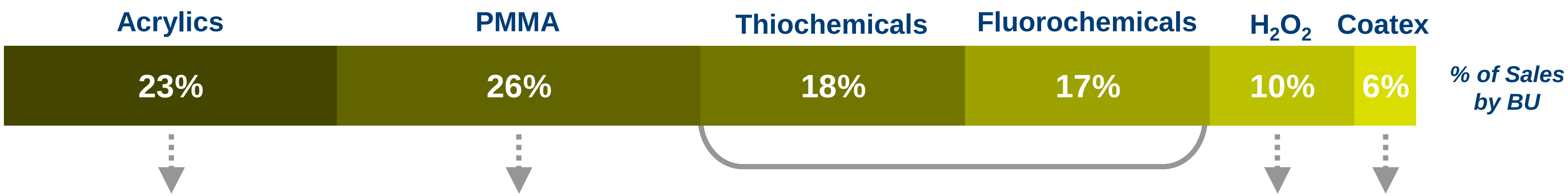
Quality of portfolio has been confirmed

> **Positive**

- Price increases in each BU to compensate for higher raw materials
- Strong contribution from restructuring and tight control of fixed costs
- Benefits from capacity extensions and new products

> **Negative**

- Sharp decline of volumes in 4Q'08 in several sectors
- Impact from FX rate



Good resistance despite low cycle conditions

Volumes affected by sharp decline in automotive market

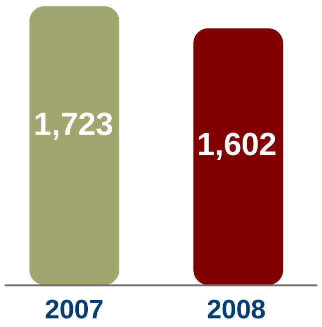
Strong set of results from selective growth

Contrasted year

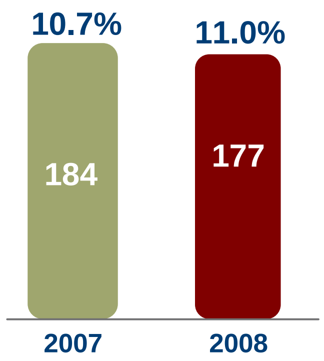
Successful integration

Performance Products: 11% EBITDA margin

2008 Performance



Sales (€m)



EBITDA (€m) & EBITDA margin

Support from new developments

> Positive

- Price increases in each BU to compensate for higher raw materials
- Strict cost control
- New business introduction

> Negative

- Weak US construction all along the year
- Sharp decline of volumes in 4Q'08 in several sectors
- Perimeter effect (divestment of UF resins)
- Impact from FX rate

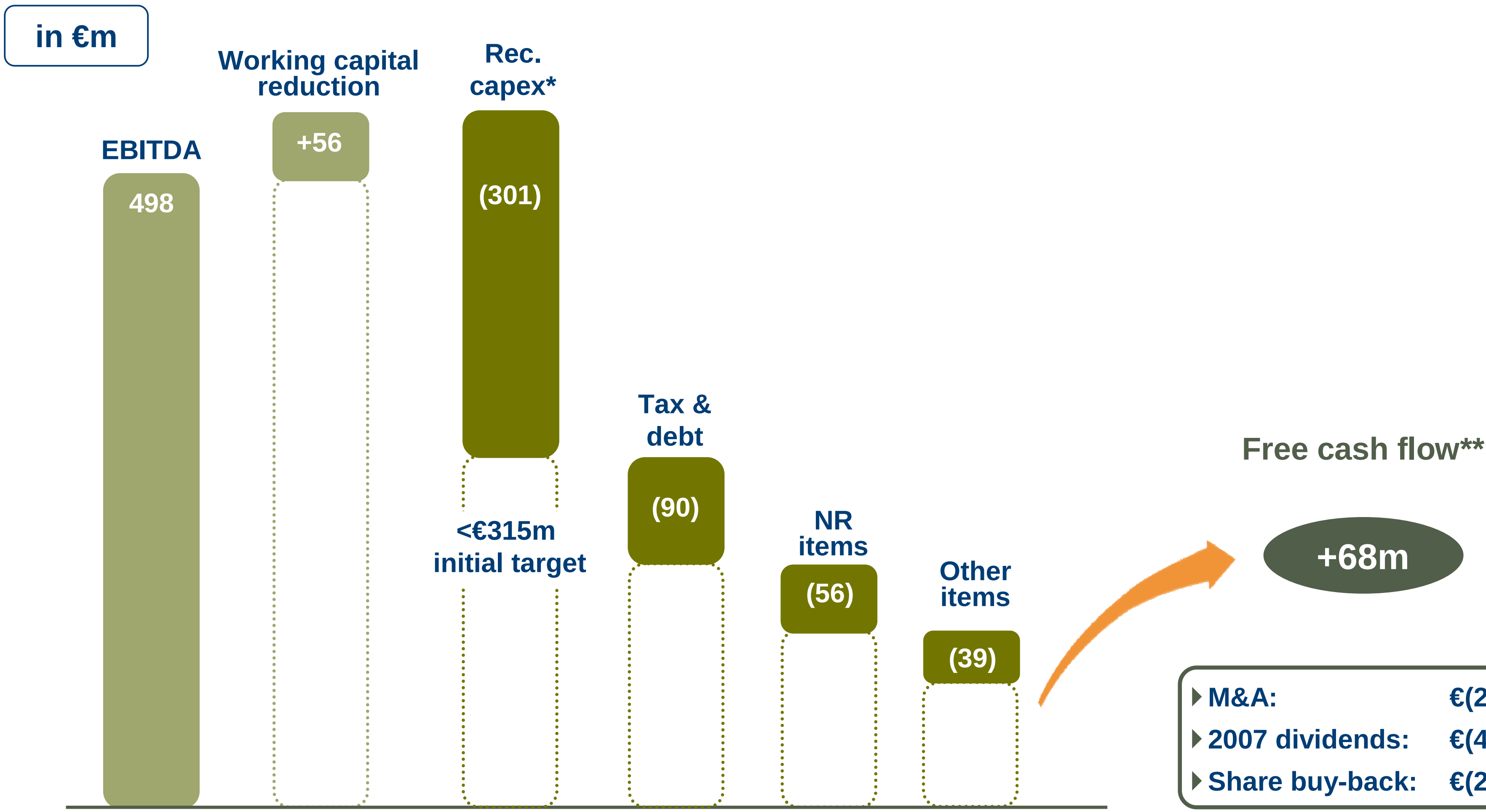
Technical Polymers	Specialty Chemicals	Functional Additives	
47%	21%	32%	*% of Sales by BU*

Technical Polymers
- New specialty applications for PVDF & PA
- Restructuring in polyamides
- Tough market conditions in 4Q'08

Specialty Chemicals
- New applications in molecular sieves
- Portfolio management

Functional Additives
- Weak demand in US construction
- High tin price
- Benefits from restructuring

Positive cashflow despite adverse economic environment



- M&A: €(25)m
- 2007 dividends: €(46)m
- Share buy-back: €(25)m

** Excluding CAPEX related to the chlorochemical consolidation plan (included in NR pre spin off items) and acquisition of assets (including in M&A)*

*** Free cash flow before -€54m non-recurring pre-spin off items (included in net debt at spin off) and -€25m M&A*

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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 material 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 2003, 2004 and 2005 are extracted from pro forma financial statements presented in the 2006 prospectus for the listing of Arkema shares. Financial information for 2006, 2007 and 2008 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.

- Arkema is a global chemical player consisting of three business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Established in over 40 countries and having 15,000 employees, Arkema achieves sales of 5.6 billion euros. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets.

ARKEMA