ARKEMA

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September 13th, 2006

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Office of International Corporate Finance
100 F Street, N.E., Mail Stop 3628
Washington DC 20549
USA

**Rule 12g3-2(b) Exemption**
**File No. 082-34965**

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- filed or is required to file with and which is made public by Euronext Paris; or
- distributed or is required to distribute to its shareholders.

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Yours sincerely,

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THOMSON FINANCIAL

Vice President Investor Relations

Frédéric Gauvard

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Société anonyme au capital de 604 538 230 euros
445 074 685 RCS Nanterre
www.arkema.com

**Enclosed documents**

- Press release: "Arkema: 2nd quarter 2006 results"
- Press release: "Tidjane Thiam appointed to Board of Directors"
- Presentation: "Mid-Year Review Presentation"

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ARKEMA



**Press release**

**Communiqué de presse**

Paris, September 13th, 2006

# ARKEMA : 2ND QUARTER 2006 RESULTS

***INCREASE OF SECOND QUARTER OPERATING PROFIT SUPPORTED BY PRODUCTIVITY IMPROVEMENTS***

- **Sales increase 3% to €1,531 million**
- **Recurring operating income of €76 million up 9%**
- **Positive net income of €28 million**
- **Further improvement of the Performance Products segment results with a recurring EBITDA margin of 10% in the second quarter**

| *(In millions of euros)* | 2nd quarter 2005[1] | 2nd quarter 2006 | Variation |
|---|---|---|---|
| **Sales** | **1,486** | **1,531** | **+3.0%** |
| **Recurring EBITDA** | **126** | **131** | **+4.0%** |
| **Recurring EBITDA margin** | **8.5%** | **8.6%** | **-** |
| **Recurring operating income** | **70** | **76** | **+8.6%** |
| **Operating income** | **53** | **58** | **+9.4%** |
| **Net income** – Group share | **33** | **28** | **-15.2%** |
| **Capital expenditures** | **61** | **79** | **-** |

[1] Pro forma accounts (see disclaimer)

## 2nd quarter 2006 performance

**Sales** rose to **€1,531 million** in 2nd quarter 2006, up 3% compared to 2nd quarter 2005.

This increase resulted from price increases in all three segments (+3.9%) which offset the volume decrease especially in the Vinyl Products segment (-1%). The changes in scope of business (-0.1%) and the conversion effect (0.2%) had very limited impact on sales.

During the quarter, sales by segment remained unchanged compared to 2nd quarter 2005 with Vinyl Products representing 23% of sales, Industrial Chemicals 43%, and Performance Products 34%.

**Recurring EBITDA** was up 4% to **€131 million** compared to €126 million for the same period in 2005.

**Recurring EBITDA margin** remained at **8.6%** for the 2nd quarter compared to 8.5% for the 2nd quarter 2005 which benefited from a highly favorable environment in acrylics. It largely exceeded the 6.2% average margin of 2005.

**Recurring operating income** is up **8.6%** to €76 million compared to €70 million.

This improvement was supported by a significant decrease in fixed costs resulting from both the six major restructuring plans launched before the spin off and other additional productivity initiatives. Fixed cost savings totalled €30 million over the quarter and more than offset inflation (€12 million) and loss in volumes resulting from unit shutdowns related to the six major restructuring plans (€8 million).

Moreover, volume increase in the Performance Products segment, good resistance of margin in Chlorochemicals and price increases focus on all our businesses partially offset higher raw material and energy costs as well as the acrylics unit margins decrease which were at exceptionally high levels in the 2nd quarter 2005.

**Operating income** is up **9.4%** to €58 million compared to €53 million. Other income and expenses remained at the same level compared to 2nd quarter 2005. They include additional expenses of €5 million related to the Chlorochemicals consolidation plan and €10 million of expenses related to Arkema's spin off. These two items were taken into account when defining the financial debt at the time of the spin off.

**Net result** was positive at €28 million for the second consecutive quarter. Decrease in net result is related to higher income taxes in the 2nd quarter 2006 compared to the same period in 2005, which results notably from the specific tax situation of Arkema in France and Acrylics' results in Carling in 2005.

## Segment performance

### *VINYL PRODUCTS*

| *(In millions of euros)* | 2nd quarter 2005 | 2nd quarter 2006 | Variation |
|---|---|---|---|
| **Sales** | **345** | **349** | **+1.2%** |
| **Recurring EBITDA** | **2** | **14** | **n.m.** |
| **Recurring EBITDA margin** | **0.6%** | **4.0%** | **-** |
| **Recurring operating income** | **(2)** | **10** | **n.m.** |
| **Operating income** | **(12)** | **5** | **n.m.** |

**Vinyl Products** segment sales increased by 1.2%. The steadiness of the two downstream activities (Vinyl Compounds, Pipes and Profiles) and price increases offset the impact of the planned maintenance turnarounds of the Lavera and Balan sites and the decrease of productions of the Saint-Auban plant related to the Chlorochemicals restructuring plan.

EBITDA rose to €14 million compared to €2 million in the second quarter 2005. This improvement results mainly from PVC price increase which offset the higher energy and ethylene costs. Gains resulting from the Chlorochemicals restructuring plan are still limited as fixed costs reduction is yet comparable to the loss in volumes of closed product lines.

### *VINYL PRODUCTS HIGHLIGHTS*

French chlorochemicals restructuring plan implementation is on schedule:

- VCM production capacities were debottlenecked in Lavera during the maintenance turnaround of April;
- VCM production capacities will be increased in Fos during the 3rd quarter 2007;
- In Balan, one PVC production unit was shutdown and two others were debottlenecked during the planned maintenance turnaround;
- End of March 2006, the chlorine, VCM and chlorine derivatives production units concerned by the restructuring plan in Saint-Auban were definitely closed and the Specialty PVC unit was expanded.

### *INDUSTRIAL CHEMICALS*

| *(In millions of euros)* | 2nd quarter 2005 | 2nd quarter 2006 | Variation |
|---|---|---|---|
| **Sales** | **639** | **657** | **+2.8%** |
| **Recurring EBITDA** | **105** | **81** | **-22.9%** |
| **Recurring EBITDA margin** | **16.4%** | **12.3%** | **-** |
| **Recurring operating income** | **78** | **53** | **-32.1%** |
| **Operating income** | **78** | **53** | **-32.1%** |

**Industrial Chemicals** segment sales increased by 2.8%. Impact of price increases in Thiochemicals, Fluorochemicals and Hydrogen Peroxide was higher than price decrease effect in Acrylics.

Recurring EBITDA margin remained at good level at 12.3% despite an EBITDA decrease from €105 million (2nd quarter 2005) to €81 million (2nd quarter 2006). This decrease resulted mainly from declining acrylics unit margins compared to a very high 2005 level which was partially offset by progress in other product lines. This progress was supported by favorable unit margins, strong volume in Asia and productivity gains.

In PMMA, strong Asian demand offset the weak demand for sheet in Europe and North America.

In Thiochemicals, good demand in the USA and margin increase offset the impact of the annual turnaround of the Beaumont unit in April.

Fluorochemicals prices continue to increase in 2nd quarter whereas volumes remained slightly lower.

For Hydrogen Peroxide, demand was strong in Asia while activity improves in North America and Europe.

### *INDUSTRIAL CHEMICALS HIGHLIGHTS*

Pursuant to the restructuring plan of the Thiochemicals activity in the US announced end 2005, the production capacities of sulfonyls and alkylamines in Riverview were definitively shutdown end of June.

## PERFORMANCE PRODUCTS

| (In millions of euros) | 2nd quarter 2005 | 2nd quarter 2006 | Variation |
|---|---|---|---|
| **Sales** | 496 | 524 | +5.6% |
| **Recurring EBITDA** | 36 | 52 | +44.4% |
| **Recurring EBITDA margin** | 7.3% | 9.9% | - |
| **Recurring operating income** | 14 | 29 | +107.1% |
| **Operating income** | 11 | 29 | n.m. |

**Performance Products** segment sales rose 5.6% driven by good market conditions, ongoing price increases and new developments in both Technical Polymers and Specialty Chemicals.

EBITDA increased to €52 million from €36 million in the second quarter 2005. This improvement results from higher volumes in Technical Polymers and Specialty Chemicals and margin recovery initiatives notably in Technical Polymers and Additives.

Recurring EBITDA margin was close to 10% in 2nd quarter far above the 2nd quarter 2005 margin (7.3%) and the 2005 average margin (5.7%).

Technical Polymers further benefited from price increases, good demand on all product lines and positive impact from unit start-ups such as the EVA unit in Balan, France, and the unit in Mont, France producing Orevac®, high value-added products for packaging.

The improved performance in Specialty Chemicals (CECA) observed since end 2005 was confirmed in most product lines and especially for molecular sieves and additives for the oil industry.

In Additives, the ongoing price increases policy affected volumes which decreased slightly.

## PERFORMANCE PRODUCTS HIGHLIGHTS

Pursuant to the restructuring plan announced in the 1st quarter, the Urea Formaldehyde Resins production site in Villers-Saint-Paul, France was definitely shutdown end of June.

## 1ST HALF 2006 RESULTS

## POSITIVE NET INCOME AT €37MILLION

| 1Q'05 | 2Q'05 | 1H'05[1] | (In millions of euros) | 1Q'06 | 2Q'06 | 1H'06 |
|---|---|---|---|---|---|---|
| 1,421 | 1,486 | 2,907 | **Sales** | 1,545 | 1,531 | 3,076 |
| 134 | 126 | 260 | **Recurring EBITDA** | 117 | 131 | 248 |
| 9.4% | 8.5% | 8.9% | **Recurring EBITDA margin** | 7.6% | 8.6% | 8.1% |
| 80 | 70 | 150 | **Recurring operating income** | 61 | 76 | 137 |
| (45) | 53 | 8 | **Operating income** | 39 | 58 | 97 |
| (69) | 33 | (36) | **Net result** - Group share | 9 | 28 | 37 |
| 56 | 61 | 117 | **Capital expenditures** | 55 | 79 | 134 |

**Sales** increased by 5.8% to €3,076 million in first half 2006 from €2,907 million in first half 2005.

This increase resulted mainly from price increases in all three segments (+2.3%), higher volumes (+2.1%) and a positive foreign currency effect (+1.6%) related mainly to the appreciation of the dollar against the euro. The changes in the scope of business had very limited impact on sales (-0.2%).

**Recurring EBITDA** totalled €248 million compared to €260 million for the same period in 2005 which was characterized by a strong environment in Chlorochemicals in the 1st quarter 2005 and exceptional market conditions in the acrylics in the 1st half 2005. Productivity initiatives, price increases policy as well as volume growth in the Performance Products segment offset partially these effects despite further increases in raw material and energy costs.

**Net result** is positive at €37 million compared to a net loss of €(36) million in the 1st half 2005.

**Capital expenditures** amounted to €134 million including €13 million related to the Chlorochemicals restructuring plan.

**Working capital** amounted to €1,402 million end of June 2006. The working capital on sales ratio remained stable at 23%[2].

**Net debt** totalled €195 million at the end of June 2006 compared to €567 million end 2005. It takes into account a share capital increase of €532 million subscribed by Total in the 1st half (€259 million in 1st quarter 2006 and €273 million in 2nd quarter 2006), a working capital increase (+€128 million) and cash expenses related to non-recurring pre-spin off items[3] (€72 million).

[2] This ratio is calculated as the working capital end of period divided by the last quaterly sales figure multiplied by 4.
[3] Non-recurring pre-spin off items correspond to items taken into account for the computation of the theoretical financial debt at the time of the spin off.

## EVENTS AFTER THE BALANCE SHEET DATE

Beginning of July, Arkema announced three projects to reinforce the competitiveness of the Performance Products segment which will result in the reduction of 91 positions[4]. These projects concern the Technical Polymers business unit and its site in Serquigny, France, the Additives business unit and its sites in Mobile and Carrollton, USA and the Specialty Chemicals and its site in Pierrefitte-Nestalas, France.

Concerning the European proceedings on past antitrust practices, Arkema was imposed in May a fine of €79 million related to the Hydrogen Peroxide and a fine of €219 million related to the methacrylate market. Arkema filed an appeal at the European Court of First Instance in Luxembourg and paid in the 3rd quarter its share of €195 million. These amounts were provided for and taken into account when defining financial debt at the time of the spin off and have therefore no impact on Arkema's results.

Finally, in the context of its cost control policy, the Arkema has just announced several changes to its current American pension plans.

## 2006 OUTLOOK

For 2006, Arkema expects a positive net result and a recurring EBITDA in the higher range of its 10 to 15% EBITDA growth target compared to 2005[5].

These forecasts take into account the usual seasonality effect on its sales between the first and second half of the year, the high level of raw material and energy costs (or even further rises for some of them), an acrylics environment less favourable than in 2005 and a good global demand despite an expected slowdown in the US.

In this environment, Arkema will continue to increase focus on sale prices and benefit from productivity initiatives and new developments especially in its Performance Products segment.

Capital expenditures should amount in 2006 at approximately €350 million including investments related to the Chlorochemicals consolidation plan.

## 2006 FINANCIAL CALENDAR

November 15, 2006 3rd quarter 2006 results

**CONTACTS :**

| | | | |
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[4] In France, the implementation of these projects is subject to the legal information and consultation procedure of the work council.
[5] Recurring EBITDA growth target compared with the 2005 level of 10 to 15% per year on average over the newt three years.

## Disclaimer

*The information disclosed in this press release 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*

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*The interim half yearly accounts disclosed in the present press release have been subject to a limited review by ARKEMA's statutory auditors. 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 The business segment information is presented in accordance with ARKEMA's internal reporting system used by the management.*

The main performance indicators used are as follows:

• ***Operating income:*** *this includes all income and expenses other than the cost of debt, equity in income of affiliates and income taxes.*

• ***Other income and expenses:*** *these correspond to a limited number of well-identified non-recurring items of income and expense of a particularly material nature that the Group presents separately in its income statement in order to facilitate understanding of its recurring operational performance.*

*These items of income and expense are:*

- *Impairment losses in respect of non-current assets,*
- *Gains or losses on sale of assets,*
- *Certain large restructuring and environmental expenses which would hamper the interpretation of recurring operating income,*
- *Certain expenses related to litigation and claims whose nature is not directly related to ordinary operations,*
- *Costs related to the Spin-Off of ARKEMA's Businesses.*

• ***Recurring operating income****: this is calculated as the difference between operating income and other income and expenses as previously defined.*

• ***Recurring EBITDA****: this corresponds to recurring operating income increased by depreciation and amortization.*

• ***Working capital****: this corresponds to the difference between inventories, accounts receivable, prepaid expenses and other current assets and tax receivables on the one hand and accounts payable, other creditors and accrued liabilities and income tax liabilities on the other hand.*

• ***Capital employed****: this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments, other investments, other non-current assets (excluding deferred tax assets) and working capital.*

• ***Net debt****: this is the difference between current and non-current debt and cash and cash equivalents.*

*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. 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 Financial Statements

Consolidated financial statements - June 2006

## INCOME STATEMENT

| *(In millions of euros)* | 2nd Quarter 2005<br>Pro forma<br>*(non-audited)* | 1st Semester 2005<br>Pro forma<br>*(non-audited)* | 2nd Quarter 2006<br>Consolidated | 1st Semester 2006<br>Consolidated |
|---|---|---|---|---|
| **Sales** | 1 486 | 2 907 | 1 531 | 3 076 |
| Operating expenses | (1 249) | (2 435) | (1 289) | (2 620) |
| Research and development expenses | (45) | (90) | (44) | (88) |
| Selling and administrative expenses | (122) | (233) | (122) | (231) |
| **Recurring operating income** | **70** | **150** | **76** | **137** |
| Other income and expenses | (17) | (142) | (18) | (40) |
| **Operating income** | **53** | **8** | **58** | **97** |
| Equity in income of affiliates | 2 | 4 | 0 | (0) |
| Cost of debt | (3) | (5) | (1) | (5) |
| Income taxes | (18) | (42) | (28) | (54) |
| **Net income** | **34** | **(35)** | **29** | **38** |
| Of which minority interests | 1 | 1 | 1 | 1 |
| **Net income - Group share** | **33** | **(36)** | **28** | **37** |
| *Earnings per share (amount in euros)* | *0,55* | *-0,60* | *0,47* | *0,61* |
| *Diluted earnings per share (amount in euros)* | *0,55* | *-0,60* | *0,47* | *0,61* |
| Depreciation and amortization | (56) | (110) | (55) | (111) |
| Recurring EBITDA | 126 | 260 | 131 | 248 |

# BALANCE SHEET

| | 31.12.2005 | 30.06.2006 |
|---|---|---|
| | Pro forma | Consolidated |
| *(In millions of euros)* | | |
| **ASSETS** | | |
| Intangible assets, net | 149 | 141 |
| Property, plant and equipment, net | 1 322 | 1 310 |
| Equity affiliates: investments and loans | 112 | 104 |
| Other investments | 22 | 20 |
| Deferred income tax assets | 108 | 94 |
| Other non-current assets | 209 | 211 |
| **TOTAL NON-CURRENT ASSETS** | **1 922** | **1 880** |
| Inventories | 1 124 | 1 093 |
| Accounts receivable | 1 199 | 1 277 |
| Prepaid expenses and other current assets | 370 | 304 |
| Income taxes recoverable | 31 | 21 |
| Cash and cash equivalents | 67 | 66 |
| **TOTAL CURRENT ASSETS** | **2 792** | **2 761** |
| **TOTAL ASSETS** | **4 714** | **4 641** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Share capital | - | 605 |
| Paid-in surplus and retained earnings | 1 366 | 1 331 |
| Cumulative translation adjustment | 83 | 10 |
| Treasury shares | - | - |
| **SHAREHOLDERS' EQUITY - GROUP SHARE** | **1 449** | **1 946** |
| **Minority interests** | **14** | **14** |
| **TOTAL SHAREHOLDERS' EQUITY** | **1 463** | **1 960** |
| Deferred income tax liabilities | 58 | 53 |
| Provisions | 1 126 | 1 074 |
| Non-current debt | 59 | 57 |
| **TOTAL NON-CURRENT LIABILITIES** | **1 243** | **1 184** |
| Accounts payable | 861 | 803 |
| Other creditors and accrued liabilities | 544 | 468 |
| Income taxes payable | 28 | 22 |
| Current debt | 575 | 204 |
| **TOTAL CURRENT LIABILITIES** | **2 008** | **1 497** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **4 714** | **4 641** |

# CASH FLOW STATEMENT

| *(In millions of euros)* | 1st Semester 2005<br>Pro forma | 1st Semester 2006<br>Consolidated |
|---|---|---|
| **Cash flow - operating activities** | | |
| Net income | (35) | 38 |
| Depreciation, amortization and impairment of assets | 111 | 111 |
| Provisions, valuation allowances and deferred taxes | 74 | (33) |
| (Gains)/losses on sales of assets | (1) | (3) |
| Undistributed affiliate equity earnings | (1) | - |
| Change in working capital | (258) | (128) |
| **Cash flow from operating activities** | **(110)** | **(15)** |
| **Cash flow - investing activities** | | |
| Intangible assets and property, plant, and equipment, additions | (117) | (134) |
| Acquisitions of subsidiaries, net of cash acquired | (2) | - |
| Increase in long-term loans | (9) | (30) |
| **Total expenditures** | **(128)** | **(164)** |
| Proceeds from sale of intangible assets and property, plant and equipment | 2 | 1 |
| Proceeds from sale of subsidiaries, net of cash sold | - | - |
| Proceeds from sale of other investments | 1 | 9 |
| Repayment of long-term loans | 14 | 20 |
| **Total divestitures** | **17** | **30** |
| **Cash flow from investing activities** | **(111)** | **(134)** |
| **Cash flow - financing activities** | | |
| Parent company shareholders | - | - |
| Issuance (repayment) of shares | - | 532 |
| Dividends paid to Parent company shareholders | - | - |
| Dividends paid to Minority shareholders | (1) | (1) |
| Issuance of long-term debt | - | - |
| Repayment of long-term debt | (2) | (2) |
| Increase in short-term borrowings and bank overdrafts | 224 | - |
| Decrease in short-term borrowings and bank overdrafts | - | (371) |
| **Cash flow from financing activities** | **221** | **158** |
| Net increase/(decrease) in cash and cash equivalents | - | 9 |
| Effect of exchange rates and changes in scope | 10 | (10) |
| Cash and cash equivalents at beginning of period | 77 | 67 |
| **Cash and cash equivalents at end of period** | **87** | **66** |

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Shares issued | | | | | Treasury shares | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *(In millions of euros)* | **Number** | **Amount** | **Paid-in surplus** | **Retained earnings** | **Cumulative translation adjustment** | **Number** | **Amount** | **Recognized directly through equity** | **Shareholders' equity - Group share** | **Minority interests** | **Total shareholders' equity** |
| **As of January 1, 2006** | **4 000** | | | **1 366** | **83** | | | | **1 449** | **14** | **1 463** |
| Cash dividend | | | | | | | | | - | (1) | (1) |
| Net income | | | | 37 | | | | | 37 | 1 | 38 |
| Issuance of share capital | 60 449 823 | 605 | 1 006 | (1 078) | | | | | 532 | | 532 |
| Purchase of treasury shares | | | | | | | | | - | | - |
| Cancellation of treasury shares | | | | | | | | | - | | - |
| Sale of treasury shares | | | | | | | | | - | | - |
| Other | | | | | | | | | - | | - |
| *Transactions with shareholders* | *60 449 823* | *605* | *1 006* | *(1 041)* | - | - | - | - | *569* | - | *569* |
| Changes in items recognized directly through equity | | | | | | | | | | | |
| Change in translation adjustments | | | | | (73) | | | | (73) | | (73) |
| *Items other than transactions with shareholders* | | - | - | - | (73) | - | - | - | (73) | - | (73) |
| **As of June 30, 2006** | **60 453 823** | **605** | **1 006** | **325** | **10** | - | - | - | **1 946** | **14** | **1 960** |

## INFORMATION BY BUSINESS SEGMENT

*(Non-audited)*

| *(In millions of euros)* | 2nd Quarter 2005 | | | | |
|---|---|---|---|---|---|
| | **Vinyl Products** | **Industrial Chemicals** | **Performance Products** | **Corporate** | **Group total** |
| Non-Group sales | 345 | 639 | 496 | 6 | 1 486 |
| Inter-segment sales | 22 | 44 | 4 | - | 0 |
| **Total sales** | **367** | **683** | **500** | **6** | **1 486** |
| **Recurring operating income** | **(2)** | **78** | **14** | **(20)** | **70** |
| **Other income and expenses** | **(10)** | **-** | **(3)** | **(4)** | **(17)** |
| **Operating income** | **(12)** | **78** | **11** | **(24)** | **53** |
| Equity in income of affiliates | 2 | - | - | - | 2 |
| Depreciation and amortization | (4) | (27) | (22) | (3) | (56) |
| Asset impairment | - | - | - | - | - |
| Changes in non-current provisions recognized through income | (10) | 10 | (8) | 17 | 9 |
| **Recurring EBITDA** | **2** | **105** | **36** | **(17)** | **126** |
| **Intangible assets and property, plant and equipment, additions** | **9** | **25** | **25** | **2** | **61** |

| *(In millions of euros)* | 2nd Quarter 2006 | | | | |
|---|---|---|---|---|---|
| | **Vinyl Products** | **Industrial Chemicals** | **Performance Products** | **Corporate** | **Group total** |
| Non-Group sales | 349 | 657 | 524 | 1 | 1 531 |
| Inter-segment sales | 19 | 45 | 4 | - | 0 |
| **Total sales** | **368** | **702** | **528** | **1** | **1 531** |
| **Recurring operating income** | **10** | **53** | **29** | **(16)** | **76** |
| **Other income and expenses** | **(5)** | **-** | **-** | **(13)** | **(18)** |
| **Operating income** | **5** | **53** | **29** | **(29)** | **58** |
| Equity in income of affiliates | (0) | - | - | - | (0) |
| Depreciation and amortization | (4) | (28) | (23) | - | (55) |
| Asset impairment | - | - | - | - | - |
| Changes in non-current provisions recognized through income | 14 | 1 | (2) | 6 | 19 |
| **Recurring EBITDA** | **14** | **81** | **52** | **(16)** | **131** |
| **Intangible assets and property, plant and equipment, additions** | **26** | **33** | **19** | **1** | **79** |

# INFORMATION BY BUSINESS SEGMENT

*(Non-audited)*

| *(In millions of euros)* | 1st Semester 2005 | | | | |
|---|---|---|---|---|---|
| | **Vinyl Products** | **Industrial Chemicals** | **Performance Products** | **Corporate** | **Group total** |
| Non-Group sales | 705 | 1 229 | 970 | 3 | 2 907 |
| Inter-segment sales | 42 | 88 | 9 | - | 0 |
| **Total sales** | **747** | **1 317** | **979** | **3** | **2 907** |
| **Recurring operating income** | **23** | **141** | **24** | **(38)** | **150** |
| **Other income and expenses** | **(128)** | **-** | **(9)** | **(5)** | **(142)** |
| **Operating income** | **(105)** | **141** | **15** | **(43)** | **8** |
| Equity in income of affiliates | 4 | - | 0 | - | 4 |
| Depreciation and amortization | (7) | (54) | (45) | (4) | (110) |
| Asset impairment | - | - | - | - | - |
| Changes in non-current provisions recognized through income | (132) | 7 | (19) | 46 | (98) |
| **Recurring EBITDA** | **30** | **195** | **69** | **(34)** | **260** |
| **Intangible assets and property, plant and equipment, additions** | **17** | **47** | **50** | **3** | **117** |

| *(In millions of euros)* | 1st Semester 2006 | | | | |
|---|---|---|---|---|---|
| | **Vinyl Products** | **Industrial Chemicals** | **Performance Products** | **Corporate** | **Group total** |
| Non-Group sales | 710 | 1 318 | 1 045 | 3 | 3 076 |
| Inter-segment sales | 40 | 92 | 8 | 1 | - |
| **Total sales** | **750** | **1 410** | **1 053** | **4** | **3 076** |
| **Recurring operating income** | **17** | **104** | **51** | **(35)** | **137** |
| **Other income and expenses** | **(5)** | **-** | **(23)** | **(12)** | **(40)** |
| **Operating income** | **12** | **104** | **28** | **(47)** | **97** |
| Equity in income of affiliates | (0) | 0 | - | - | (0) |
| Depreciation and amortization | (8) | (57) | (46) | - | (111) |
| Asset impairment | - | - | - | - | - |
| Changes in non-current provisions recognized through income | 14 | (3) | (29) | 32 | 14 |
| **Recurring EBITDA** | **25** | **161** | **97** | **(35)** | **248** |
| **Intangible assets and property, plant and equipment, additions** | **37** | **57** | **38** | **2** | **134** |

Press release

Communiqué de presse



Paris, September 13th 2006

# Tidjane Thiam appointed to Arkema's Board of Directors

At a meeting on September 12th 2006, Arkema's Board of Directors unanimously decided to co-opt Mr Tidjane Thiam as Independent Director.

Mr Tidjane Thiam has been Chief Executive Officer of Aviva Europe since 2006, after holding the post of Strategy and Development Director in London. He graduated from *Ecole Polytechnique* in 1984, and as a civil engineer from *Ecole des Mines* Paris in 1986, before gaining an MBA from INSEAD in 1988. From 1986 to 1994, he was Strategy and Organization Advisor to McKinsey & Company in France and the United States. From 1994 to 1998, he held the post of Director General of *Bureau National d'Etudes Techniques et de Développement* (BNETD) [National Bureau for Technical and Development Studies] for the Presidency of the Republic of Côte d'Ivoire. He was Minister for Planning and Development from 1998 to 1999, and elected a member of the Dream Cabinet by the World Economic Forum in Davos. Subsequently, he was a Partner at McKinsey in Paris, from 2000 to 2002.

Following Mr Tidjane Thiam's appointment, Arkema's Board of Directors now comprises eight members:

- Thierry Le Hénaff, President and CEO of Arkema
- François Enaud, President and CEO of Stéria S.A.
- Bernard Kasriel, former CEO of Lafarge
- Laurent Mignon, Deputy Managing Director of AGF
- Thierry Morin, President and CEO of Valeo
- Jean-Pierre Seeuws, former Chemicals Vice President at Total
- Tidjane Thiam, Chief Executive Officer of Aviva Europe
- Philippe Vassor, former President of Deloitte France, President of Baignas S.A.S.

*A global chemical player, Arkema combines 3 related and integrated 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. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets.*

**CONTACTS :**

| | | | |
|---|---|---|---|
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# 2006 MID YEAR REVIEW

**Paris, September 13th, 2006**

# Build a strong company

**Creation of Arkema** — October 2004

### Prepare for independence

- Negotiate a strong balance sheet
- Launch of 6 major restructuring projects

**Spin off** — May 2006

### Restore profitability

- Strong emphasis on productivity
- Focus on profitable growth

*Improve free cash generation*

*10 to 15% EBITDA growth per year**

**2008**

### Establish a competitive and growing chemical player

**Accelerate pace of change**

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** Calculated as an average annual growth for the next three years compared to 2005*

# Where we stand today

- Increase of second quarter operating income
- 6 major restructuring plans on track
- Other significant productivity initiatives
- Growth fuelled by new projects
- A 2006 forecast in the higher range of our target

« **Pro-active and pragmatic** »

# 2Q 2006 financials

## « A good start after spin off »

# A robust second quarter 2006

- Sales increase **+3%*** to **€1,531m**
- Recurring operating income of **€76m** up **+9%***
- Positive net income of **€28m**
- Performance Products EBITDA margin at **10%**

« **First impact of productivity initiatives** »

** Compared to 2Q 2005*

# 2Q 2006 key figures

| In €m | 2Q'05 | 2Q'06 | *Variation** | 1Q'06 |
|---|---|---|---|---|
| **Sales** | 1,486 | **1,531** | *3.0%* | 1,545 |
| **EBITDA (recurring)** | 126 | **131** | *4.0%* | 117 |
| *EBITDA margin* | *8.5%* | ***8.6%*** | | *7.6%* |
| **Operating income (rec.)** | 70 | **76** | *8.6%* | 61 |
| *Operating income margin* | *4.7%* | ***5.0%*** | | *3.9%* |
| **Operating income** | **53** | **58** | *9.4%* | 39 |
| **Net income**- Group share** | 33 | **28** | *(15.2)%* | 9 |

**2Q'06 vs 2Q'05*
***Decrease in net income related to an increase of income tax*



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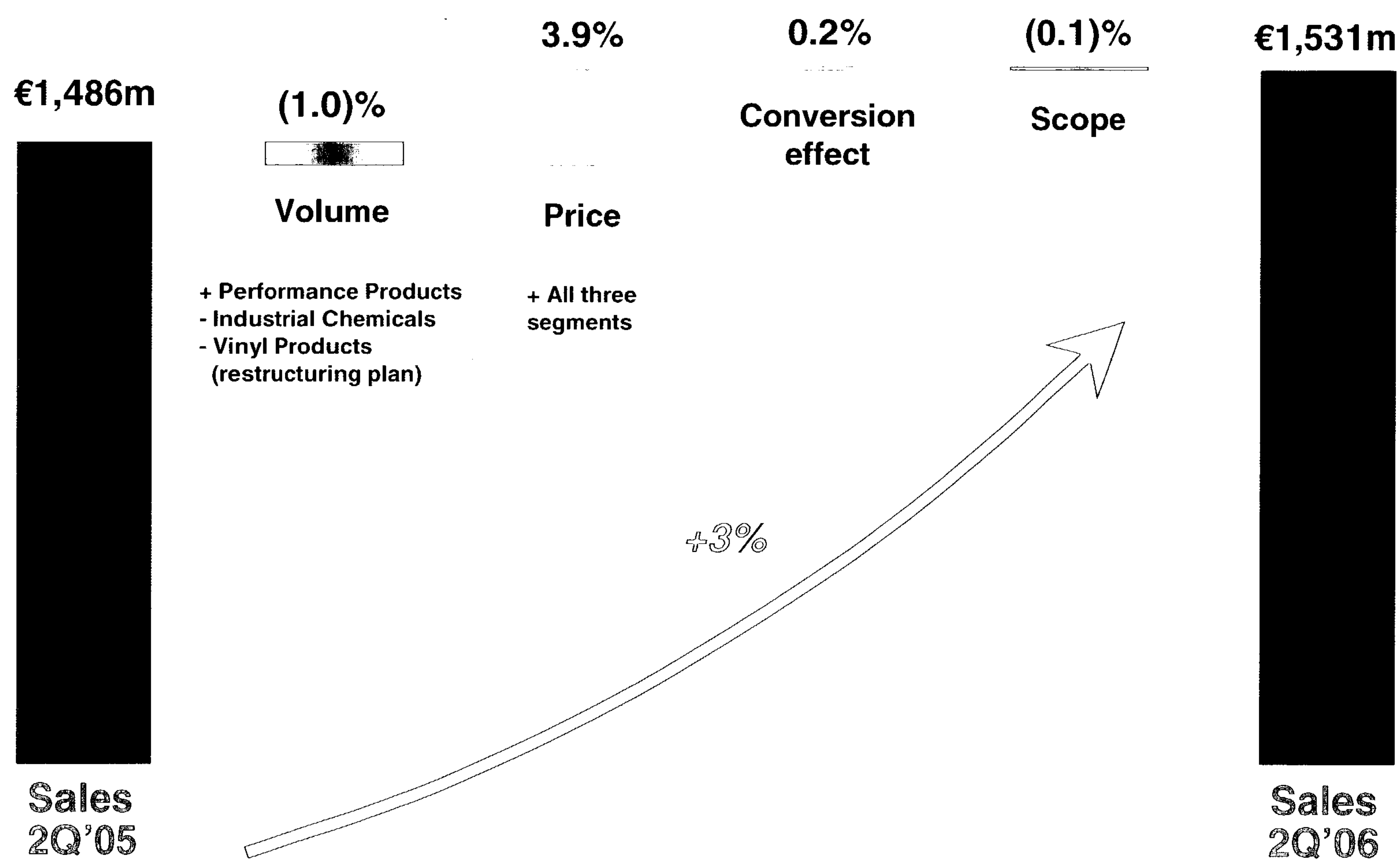
# Sales growth supported by price increases

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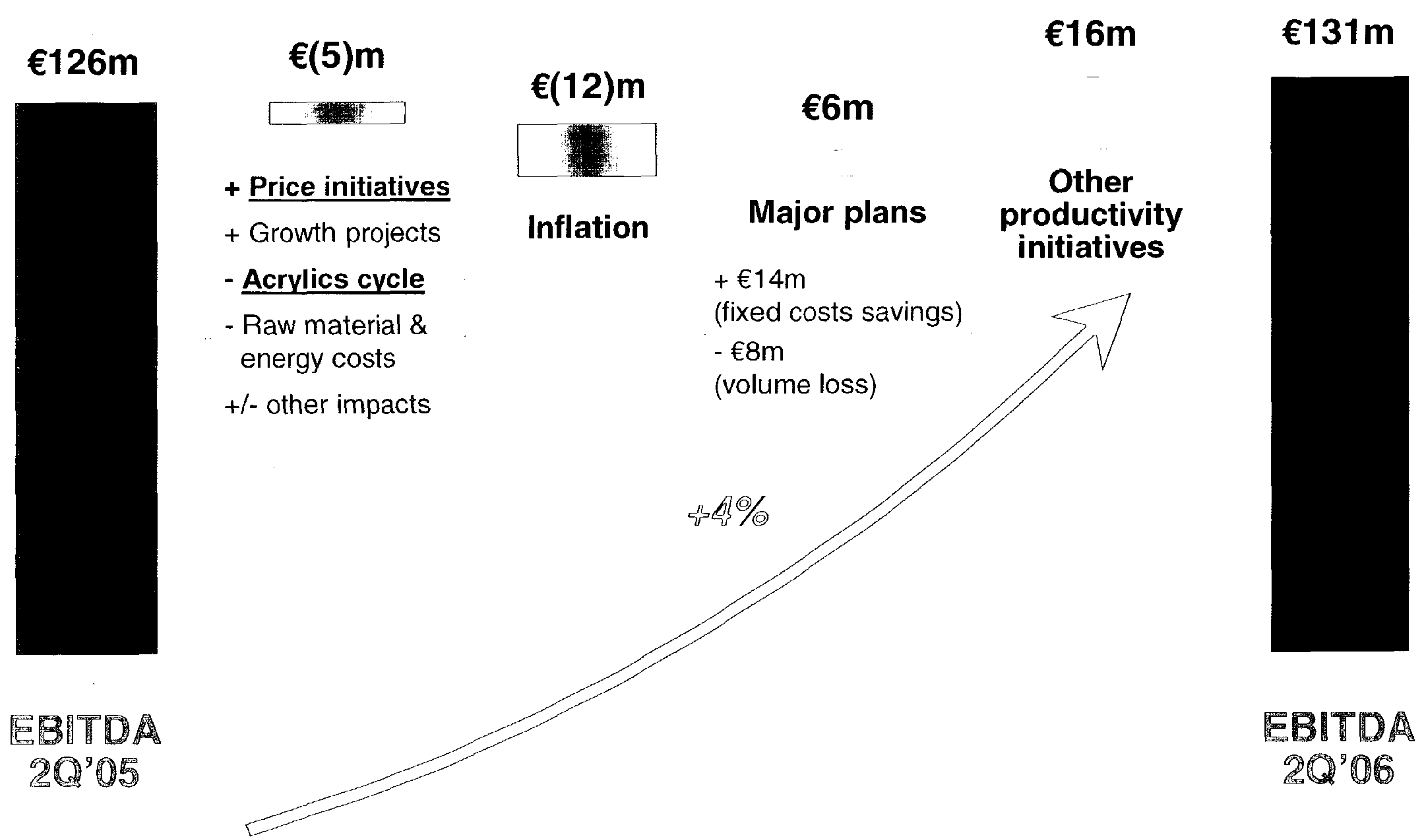
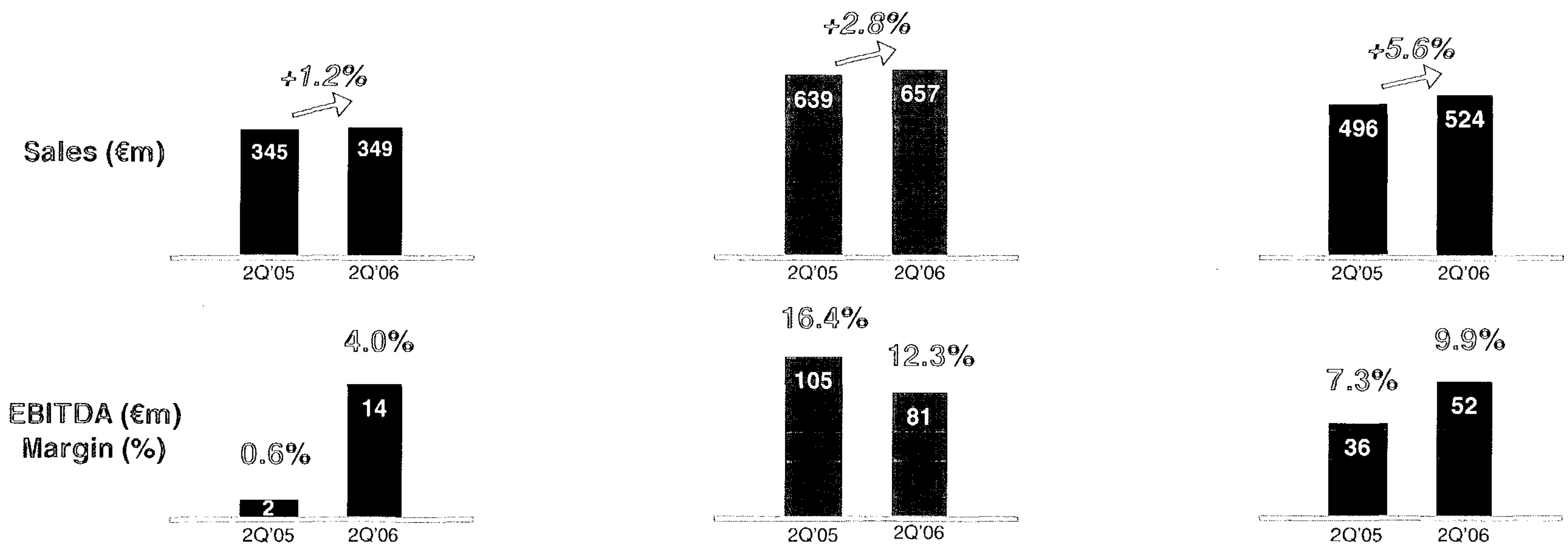
# Strong impact of productivity programs



# Strong improvement of Performance Products




**Vinyl Products**

- Higher spread offset by higher energy costs
- Volume loss and decrease of fixed costs (implementation of restructuring plan)

**Industrial Chemicals**

- Decrease in Acrylics unit margins
- First impact of restructuring plans (Thiochemicals and PMMA)
- Contribution of development projects

**Performance Products**

- Strong demand supported by global economy and R&D
- Ongoing margin recovery initiatives
- Productivity initiatives

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# 1H 2006 review

« On target »

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# 1H 2006 highlights

**GLOBAL ECONOMIC ENVIRONMENT**

- Strong demand in US and Asian markets
- Increased raw material and energy costs
- Significant decrease of acrylics unit margins

**ARKEMA'S HIGHLIGHTS**

- Price increase initiatives
- Vinyl Products and other five major restructuring plans on track
- Additional fixed cost and headcount reductions
- Key growth projects

# 6 major restructuring plans on track

**PMMA Sheet Europe**

165 positions
*106 p. year to date*
COMPLETE 4Q'06

**Thiochemicals France**
74 positions
**COMPLETED**

**Headquarters**
132 positions
**COMPLETED**

**Chlorochemicals**

523 positions
*223 p. year to date*
COMPLETE 4Q'07

**Thiochemicals US**

60 positions
*30 p. year to date*
COMPLETE 4Q'06

**Urea Formaldehyde Resins**

132 positions
*31 p. year to date*
COMPLETE 2Q'07

**2004**

**2005**

**2006**

## « €25m EBITDA impact in 2006 »

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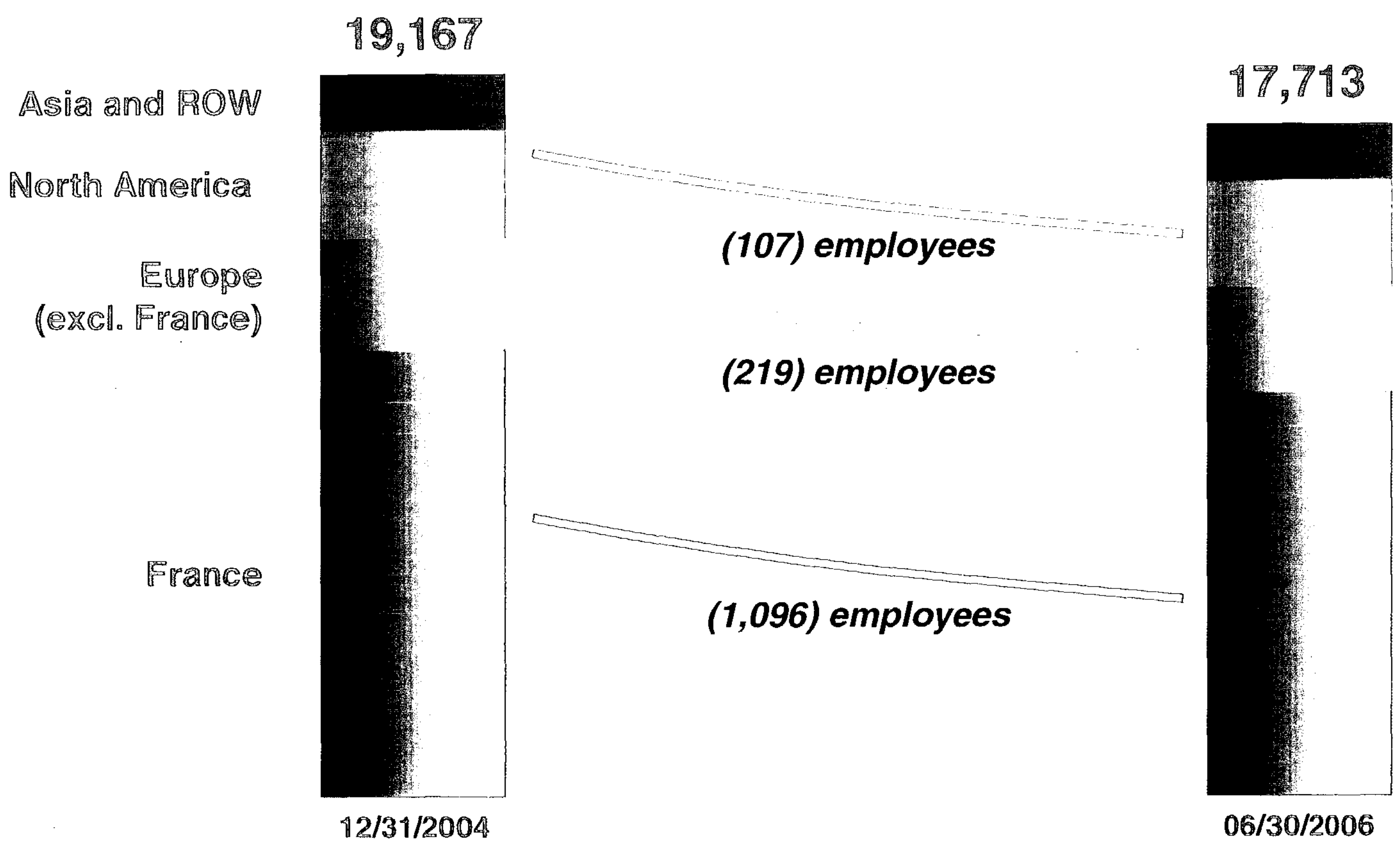
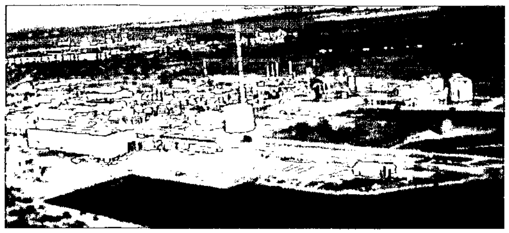
# Evolution of headcount since creation




« nearly half related to the 6 major plans »

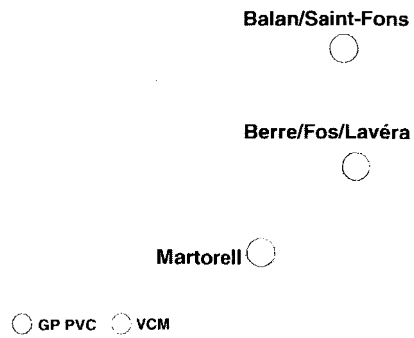
# Vinyl Products: competitive assets at end of plan

## VCM sites*

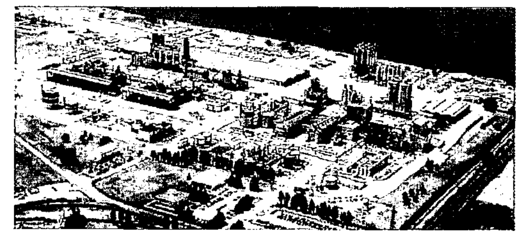


**Lavéra**
- 525 Kt capacity
- 3rd largest site in Europe

**Fos****
- 415 Kt capacity
- 5th largest site in Europe



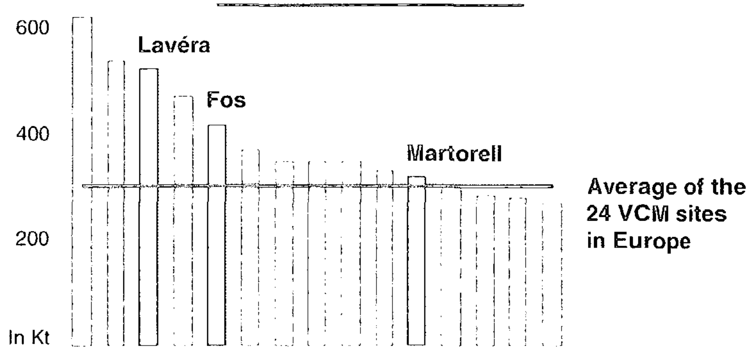

## General Purpose PVC sites*



**Balan**
- 325 Kt capacity
- 5th largest site in Europe

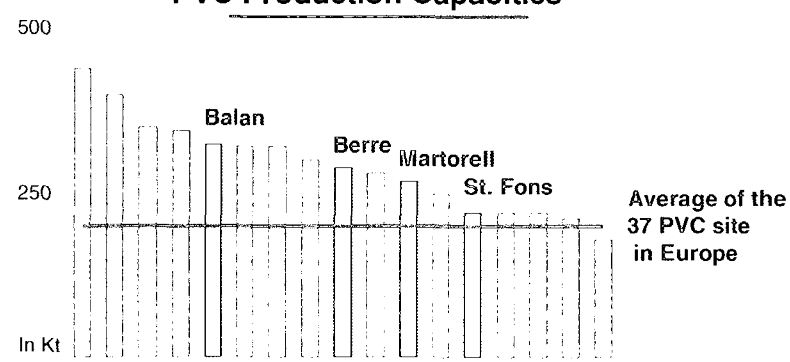
**Berre****
- 290 Kt capacity
- 9th largest site in Europe

## VCM Production Capacities**




Sources: CMAI and Arkema

## PVC Production Capacities**




Sources: CMAI and Arkema

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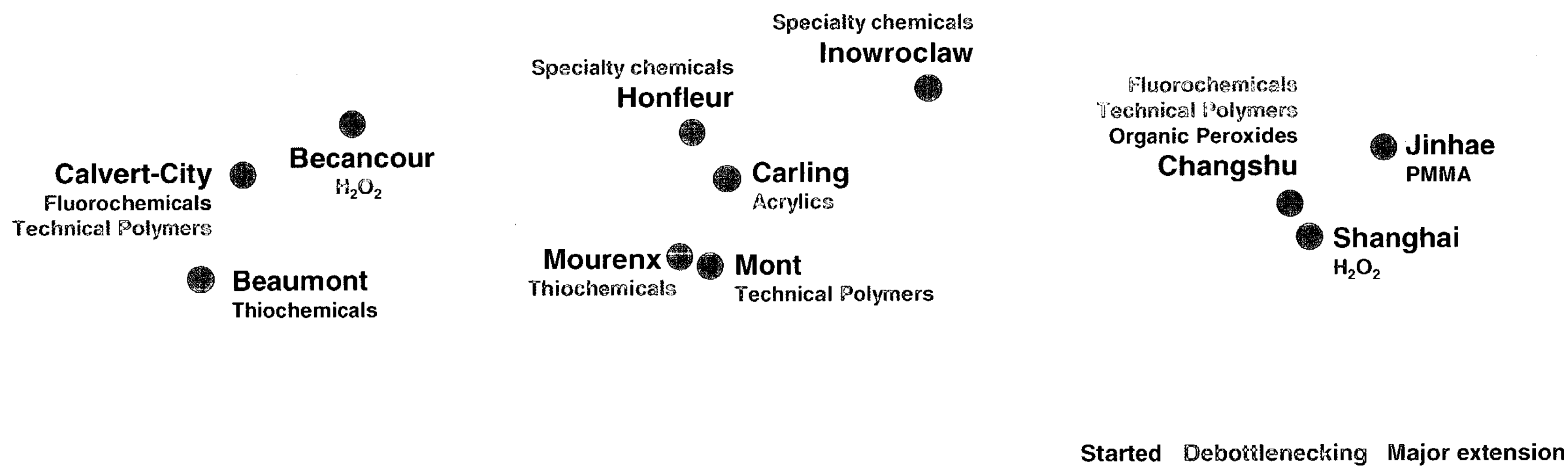
* Not including St Auban (only Specialty PVC) and Jarrie (Chlorine Intermediates). Details of the plan in appendix.
** Joint ventures: Fos (Arkema: 79%, Solvin: 21%), Berre (Arkema: 65%, Solvin: 35%), Martorell (Arkema: 35%, Solvin: 65%)

# Pursue development focused on strong lines




- Further develop global market positions
- Reinforce competitiveness of our best sites
- Projects' IRR from 15% to 30%

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# 1H 2006 key figures

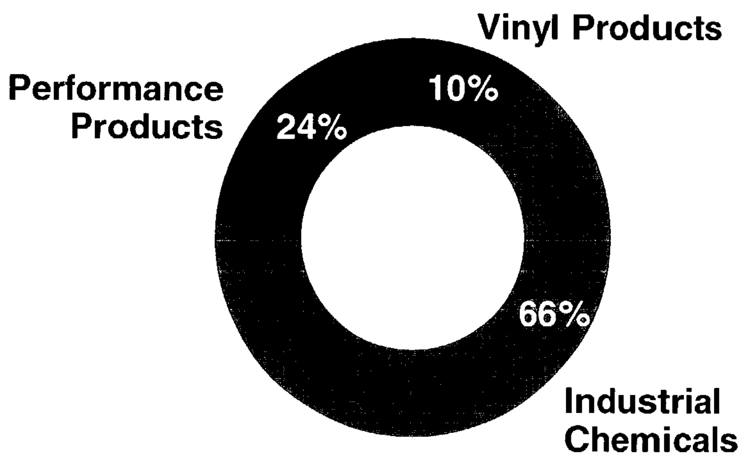
| **In €m** | 1H'05 | **1H'06** | *Variation** |
|---|---|---|---|
| **Sales** | 2,907 | **3,076** | *5.8%* |
| **EBITDA (recurring)** | 260 | **248** | *(4.6%)* |
| *EBITDA margin* | *8.9%* | ***8.1%*** | |
| **Operating income (rec.)** | 150 | **137** | *(8.7%)* |
| *Operating income margin* | *5.2%* | ***4.5%*** | |
| **Operating income** | 8 | **97** | *x 12* |
| **Net income** | (36) | **37** | *n.m.* |

**« Positive net income »**

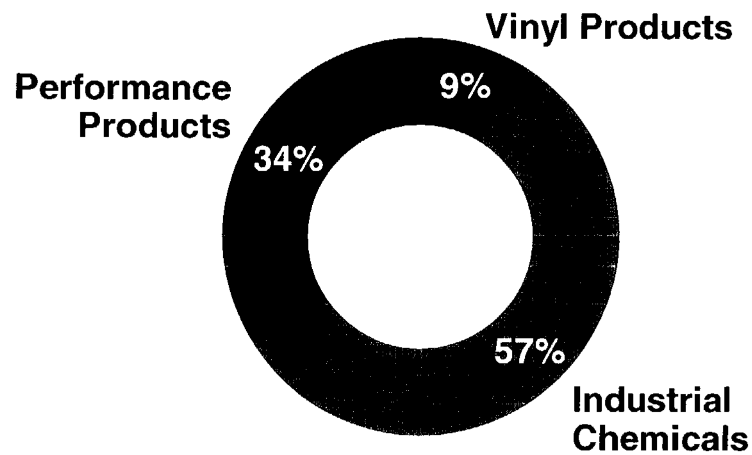
** 1H'06 vs 1H'05*

# More balanced EBITDA across segments

1H'05*




1H'06*




- Improved profitability of Performance Products segment
- Solid performance of Industrial Chemicals despite declining unit margin in Acrylics
- Impact of Vinyl Products restructuring plan still limited

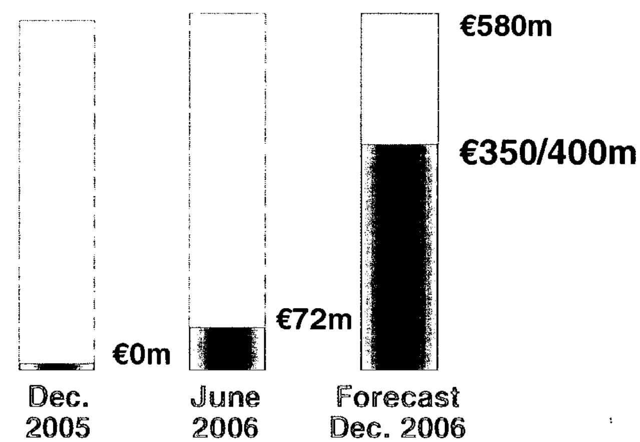
* EBITDA excluding corporate

# Initial net debt negotiated with Total

| | |
|---|---|
| 567 | **Net debt as of 12/31/05** |
| 580 | **Pre-spin off NR items*** <br> ○ €435m covered by provisions <br> ○ €45m 2006 NR items <br> ○ €100m Vinyl Plan Capex |
| (532) | **Capital increase by Total before spin off** |
| 615 | **"Negotiated" net debt** |
| 1,995 | **Equity** |

*In €m*

**Estimate of cash out of pre-spin off non-recurring items**




## « Initial gearing at 30 % »



* See details in Appendix for pre-spin off non recurring (NR) items.

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# 1H 2006 free cash flow

| | 1H'06 | |
|---|---|---|
| Recurring Cash Flow | 191 | |
| Recurring Capex | (121) | ⇨ In line with forecast |
| **Operating Free Cash Flow** | **70** | |
| Working Capital | (128) | ⇨ Raw materials and seasonality |
| Other items | (20) | ⇨ NR items and cost of debt |
| **Recurring Cash Flow** | **(78)** | |
| *Pre Spin-off NR items cash out* | *(72)* | ⇨ ***Included in net debt negotiated with Total**** |
| **Cash Flow** | **(150)** | |

**« Impacts of working capital seasonality and pre-spin off items »**

* See previous slide

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# 2006 outlook

- **2006 EBITDA in the higher range of the target**
  *(+15% above 2005)*
- Seasonal pattern
- **Positive net income**
- Capex in line with the €350m forecast
  *(out of which €50m for Vinyl consolidation plan)*

# 2006 priority

« Reshape the Performance Products segment »

# Productivity measures already launched in 1H 2006

| BU - SITES | | ACTIONS ALREADY TAKEN IN 2006 |
|---|---|---|
| **Urea Formaldehyde Resins:** Villers-Saint-Paul (France) | ➡ | **Definitive closure of VSP plant in 2Q'06** |
| **Specialty Chemicals*:** Pierrefitte-Nestalas (France) | ➡ | **Closure of Pierrefitte-Nestalas plant**<br>**New production capacities in Shanghai to be set-up** |
| **Technical Polymers*:** Serquigny (France) | ➡ | **Rationalization of the Rilsan® fine powder production units in Serquigny** |
| **Additives:** Mobile (Alabama) | ➡ | **Consolidation of the tin derivatives production in the Carrollton unit (Kentucky)** |

**« Additional restructuring provisions of €30m**
**Full EBITDA impact in 2008: €13m »**

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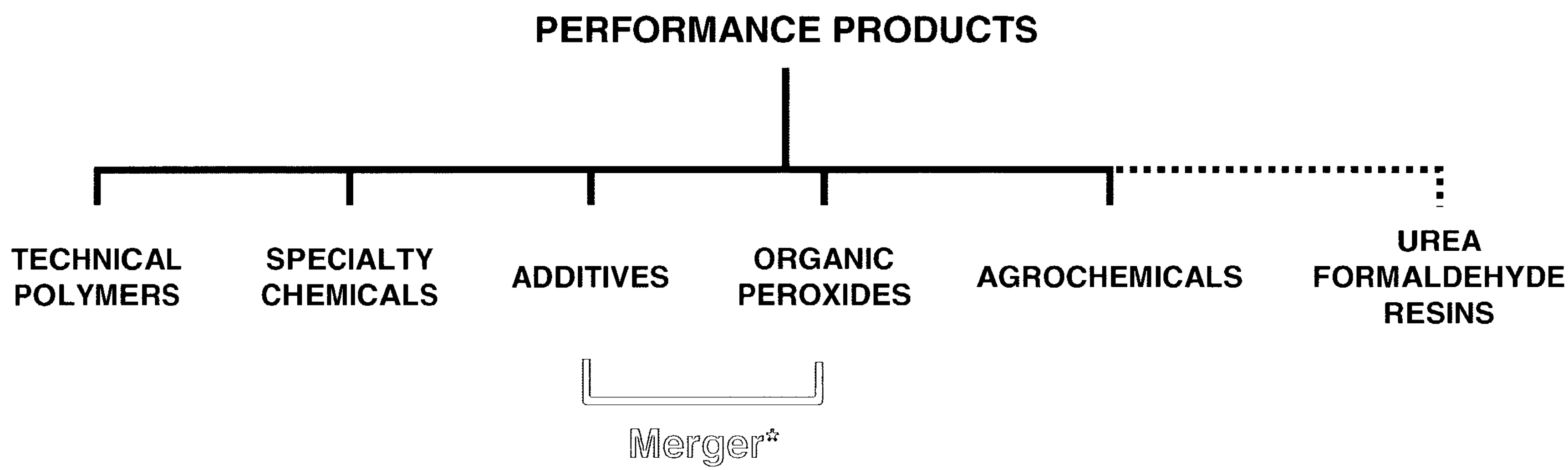
* *Subject to information/consultation of the work councils*

# New initiatives in 2H 2006

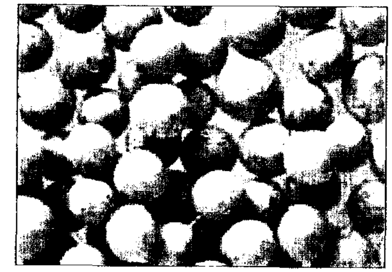
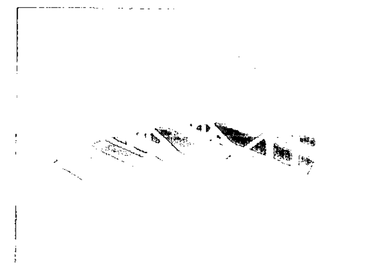



- **Common end-markets**
- **Synergies in:**
  - SG&A
  - R&D (nanotechnologies)
- **Target of SG&A savings: €5m**
- **Implementation: 1st Jan. 2007**
- **Manufacturing productivity**

- **Plan to divest the remaining plant in Leuna (Germany)**

* Subject to information/consultation of the work councils in France

# Tangible outcome from R&D

| | | |
|---|---|---|
| New development in molecular sieves: hydrocarbons filtration and medical oxygen → | Debottlenecking of our assets in Poland and in France €11m capex → |  |
| Polyamide ultrafine powders (Orgasol®): new development for laser sintering → | Increase by 40% of the production capacity in Mont → |  |
| Develop Arkema's flat glass Certincoat® CVD technology → | Partnership with major Asian glass manufacturers using state of the art technology → |  |

« **Better efficiency at constant 5% of sales R&D budget** »

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# Accelerate pace of change

# Accelerate the transformation process

- Further cost reduction initiatives
- Chase expenses throughout the company
- Entrepreneurial culture
- Selective portfolio management
- Working capital optimization

# Further cost reduction initiatives

- **Address remaining structural gaps with competitors**
  - New additional plan launched in July
  - Merger of Additives and Organic Peroxides
- **Additional optimizations to offset inflation**
- **Specific emphasis on G&A**
  - Streamline support functions
  - Reach “best-in-class” ratio
- **Improve variable costs**
  - Energy efficiency

# Chase expenses throughout the company

- **Improve goods and services purchasing**
  - Higher centralization of G&S purchasing
  - E-procurement implementation

- **Optimize real estate utilization**
  - Sell non-industrial real estate
  - Headquarters

- **Better control of US welfare and pension benefits**
  - Keep only active employees at spin off
  - Move to a more competitive and efficient benefits package
  - Switch to a defined contribution plan

# Entrepreneurial culture

## Continue to simplify the organization

- Reduce weight of Corporate
- A more reactive and efficient organization

## Increase accountability and performance

- Senior management compensation: 30-70% linked to profitability improvement
- Personal incentives: free shares allocated only if EBITDA target is reached

## "The right people in the right jobs"

- 11 new business unit Managing Directors have been appointed since creation (out of 13 business units)
- Selective additional skills from outside

# Selective portfolio management

**DIVESTMENTS**

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

- Disposal of non-core assets

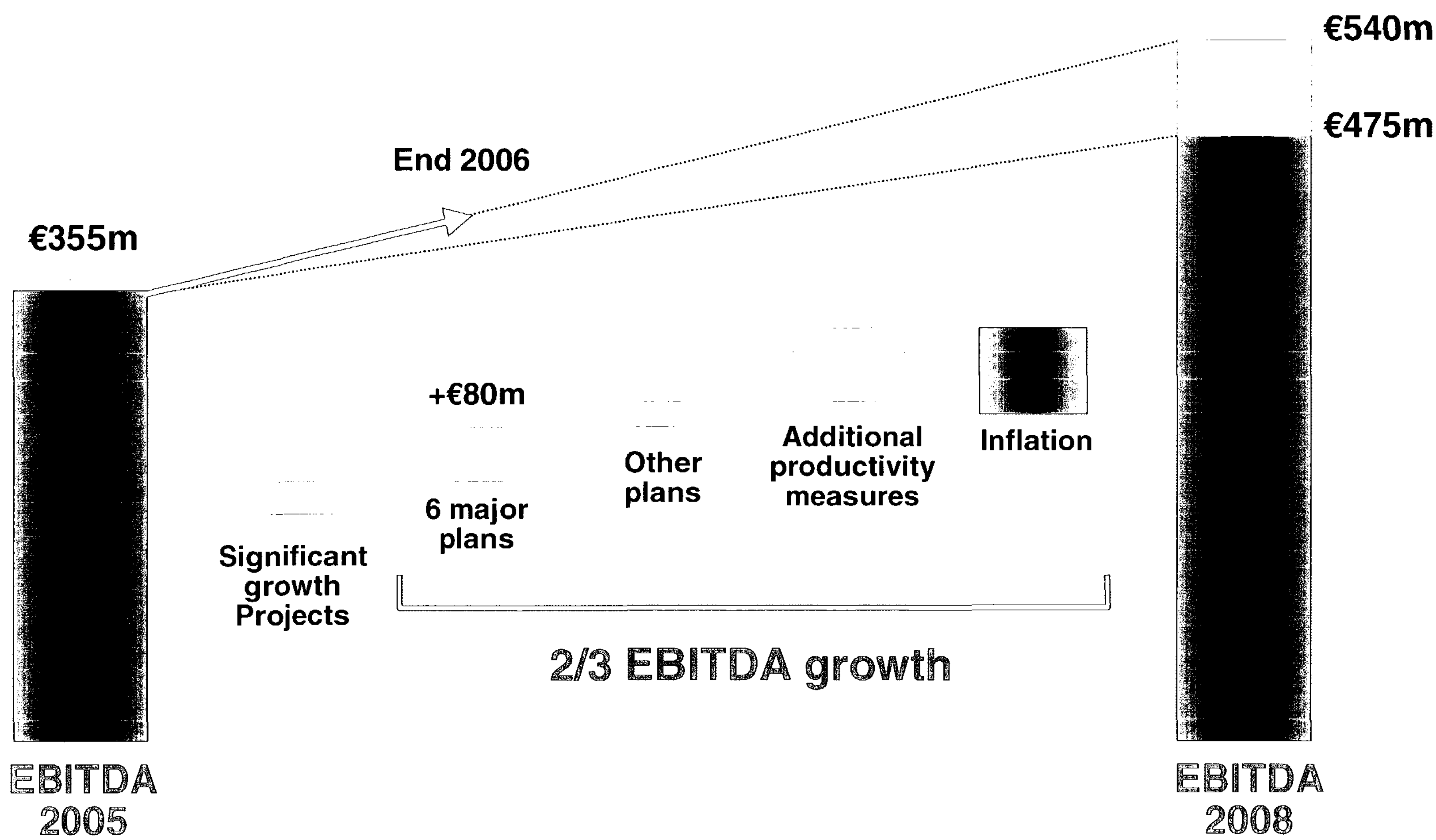
**ACQUISITIONS**

**Bolt-on acquisitions in our core activities**

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

**« Better focused, less cyclical portfolio »**

# Confirm the 10 to 15% EBITDA growth target*




 * Calculated as an average annual growth for the next three years compared to 2005

# Mid term target

- **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 to 40%

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* *Within the same scope of business*

# Appendix

# Management compensation

### FIXED PART

- In line with the indications given in the prospectus

### FIRST VARIABLE PART

- Linked to the improvement of profitability
- Main indicator: EBITDA growth target

### SECOND VARIABLE PART

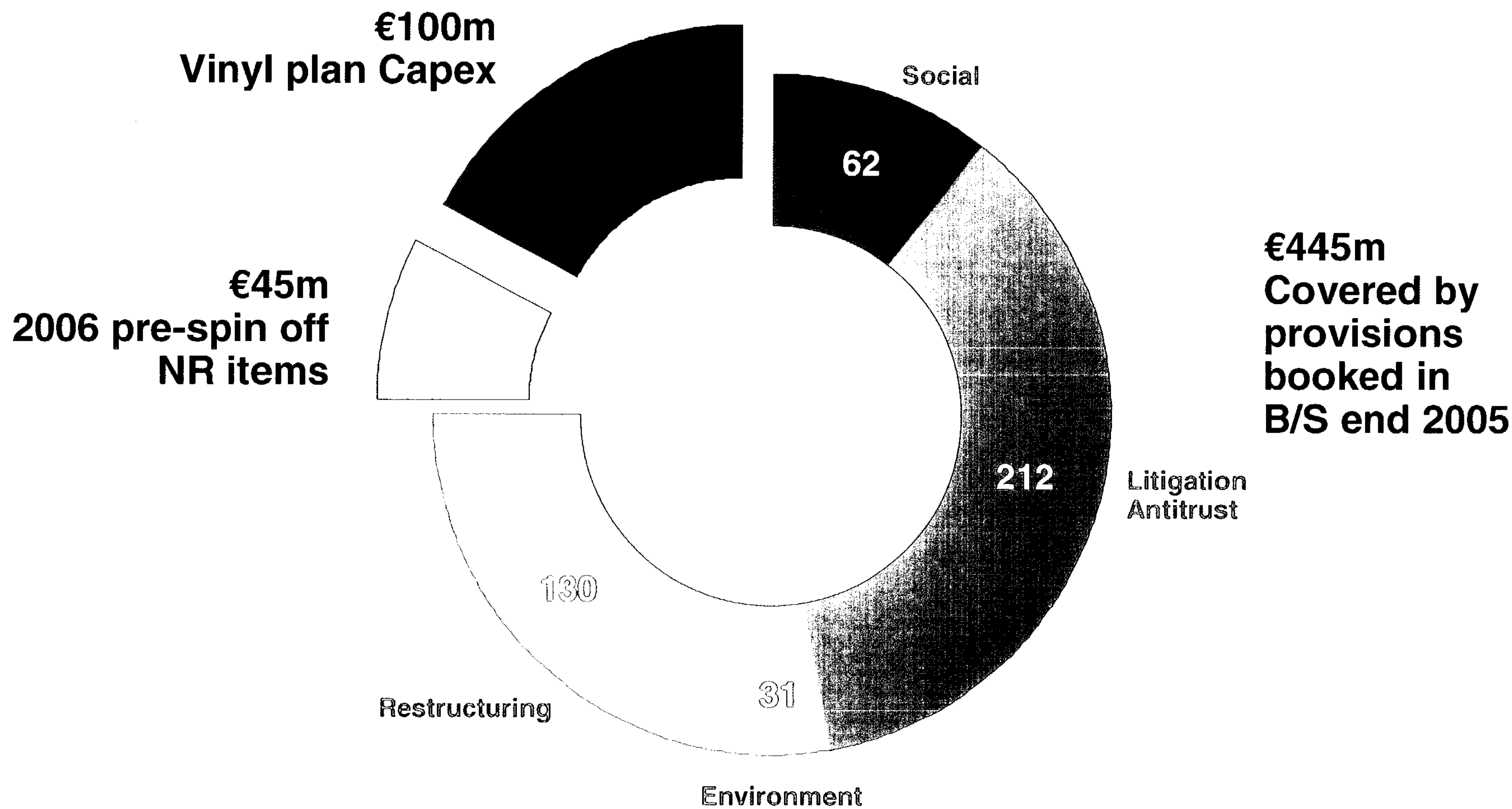
- Linked to Arkema's stock price and performance
- Stock-options and free shares
- Free shares will only be allocated if the EBITDA growth target is reached

Stock-options and free shares

- Total amount of stock-options and free shares allocated = 1% of Arkema's share capital
- 80% stock-options and 20% free shares
- 600 recipients or 3% of employees
- Subscription price: €28.36

- 70% of the total compensation of the CEO
- 50% of the total compensation of the Executive Committee members

# €580m pre-spin off non-recurring items*




 * Details of page 18

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# Vinyl Products: secure long-term competitiveness

- **Address low productivity of some assets**
- **Restructuring plan under implementation**:
  - Unprofitable plants to be shut-down
  - Expand best performing sites
- **Improve manufacturing reliability**
- **EBIT break even in low cycle conditions**:
  - Recurring EBITDA enhancement in 2008: €40m
  - Limited gain in 2006
  - As end of June 06: -223p. (out of 523p.)

**Saint-Fons/Balan: -106 p.**

Vinyl Compounds, **PVC (+5kt)**

**Shutdown of one unit and debottlenecking of the others**

| Initial situation | 30/06/06 | Target |
|---|---|---|
| 570 p. | 538 p. | 464 p. |

**Saint-Auban: -355 p.**

Chlorine (-140kt), VCM (-110kt), PVC (- 35kt), **Spec. PVC (+25kt)**

**Definitive closure of chlorine/VCM: beginning 04/06**

| Initial situation | 30/06/06 | Target |
|---|---|---|
| 713 p. | 549 p. | 358 p. |

**Fos/Lavéra/Berre**

**Chlorine (+40kt), VCM (+70kt), PVC (+30kt)**

**Debottlenecking production capacities:**
**- Lavera in April (CVM)**
**- Berre in April (PVC)**
**- Fos in October 2007 (CVM)**

Saint-Fons/Balan
Saint-Auban
Fos/Lavéra/Berre

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# Main accounting and financial indicators

- **Operating income**: this includes all income and expenses other than the cost of debt, equity in income of affiliates and income taxes.
- **Other income and expenses**: these correspond to a limited number of well-identified non-recurring items of income and expenses of a particularly material nature that the Group presents separately in its income statements in order to facilitate the understanding of its recurring operational performance. These items of income and expenses are:
  - Impairment losses in respect of non-current assets,
  - Gains or losses on sale of assets,
  - Certain large restructuring and environmental expenses which would hamper the interpretation of recurring operating income,
  - Certain expenses related to litigation and claims whose nature is not directly related to ordinary operations,
  - Costs related to the spin-off of the Arkema activities.
- **Recurring operating income**: this is calculated as the difference between operating income and other income and expenses as previously defined.
- **Recurring operating income margin**: this is calculated as recurring operating income divided by Sales.
- **Recurring EBITDA:** this corresponds to recurring operating income increased by depreciation and amortization.
- **EBITDA margin**: this is calculated as Recurring EBITDA divided by Sales.
- **Working capital**: this corresponds to the difference between inventories, accounts receivable, prepaid expenses and other current assets and tax receivables on the one hand and accounts payable, other creditors and accrued liabilities and income tax liabilities on the other hand.
- **Capital employed**: this is calculated by aggregating the net carrying amounts of intangible assets, property, plant and equipment, equity affiliate investments, other investments, other non-current assets (excluding deferred tax assets) and working capital.
- **Net debt**: this is the difference between current and non-current debt and cash and cash equivalents.

# Disclaimer

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

The interim accounts disclosed in the present press release have been subject to a limited review by ARKEMA's statutory auditors. 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 The business segment information is presented in accordance with ARKEMA's internal reporting system used by the management.

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. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, ARKEMA holds leadership positions in its principal markets 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

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