



2006
ANNUAL AND SUSTAINABLE
DEVELOPMENT REPORT



The world is our inspiration



The world is our inspiration

To meet the challenges of the 21st century and drive the responsible, innovative, competitive chemical industry of tomorrow, we continue to grow and change, while emphasizing openness and dialogue with all of our stakeholders.

Arkema aims to build an efficient manufacturing company in which all employees can fully utilize their talents, to foster genuine partnerships with customers, to conduct our business in a way that is safe for the environment and people, and to create lasting value for our shareholders.

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Inspiration

Creating the chemical industry of tomorrow—one that cares about the concerns of society, is innovative, competitive and sustainable, and acts as a good steward of the environment—is the challenge met daily by Arkema employees, thanks to their solid manufacturing culture, superior R&D capabilities and partnerships with customers.





3 business segments

12 business units



Arkema's three business segments—Vinyl Products, Industrial Chemicals and Performance Products—combine global or European market-leading industrial processes and lines with internationally recognized brands and products.

● Vinyl Products

Arkema is a leading European producer of chlorochemicals and PVC.

Integrated activities, ranging from brine electrolysis to PVC processing: Chlorine/Caustic Soda, PVC, Vinyl Compounds, and Pipes and Profiles (Alphacan).

● Industrial Chemicals

Arkema holds world-class positions in all of our intermediate chemical segments.

Product lines that are well-integrated with Arkema's other activities: Acrylics, PMMA (Altuglas International) and Methacrylics, Thiochemicals, Fluorochemicals, and Hydrogen Peroxide.

● Performance Products

Arkema enjoys a technological lead and internationally recognized brands.

Innovative performance materials that push the technical envelope as we design the applications of the future: Technical Polymers, Specialty Chemicals (CECA), and Functional Additives.

Some flagship brands

Aquakeep®

Superabsorbent polymers

Albone®

Hydrogen peroxide

Altuglas®/Plexiglas®*

Polymethyl methacrylate (PMMA)

Bactivel®

Bleach

Careflex®

Refining and petrochemical industry sulfiding service

Certincoat®

Glass coatings

Evatane®

Functional polyolefins

Forane®

Refrigerants

Graphistrength™

Carbon nanotubes

Kynar®

Polyvinylidene fluoride (PVDF)

Lacovyl®

Polyvinyl chloride (PVC)

Luperox®

Organic peroxides

Nanostrength®

Acrylic block copolymers

Orgasol®

Ultrafine polyamide powders

Pebax®

Polyether block amides

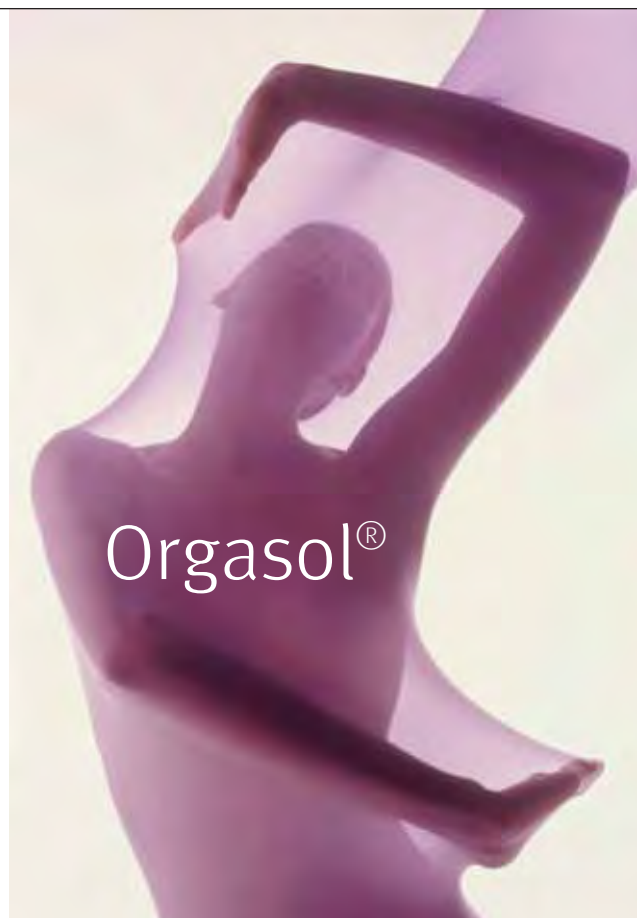
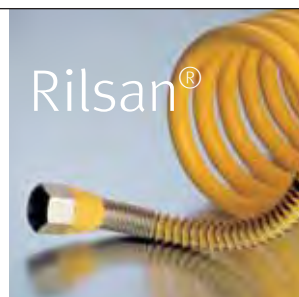
Rilsan®

Polyamides 11 and 12

Siliporite®

Molecular sieves

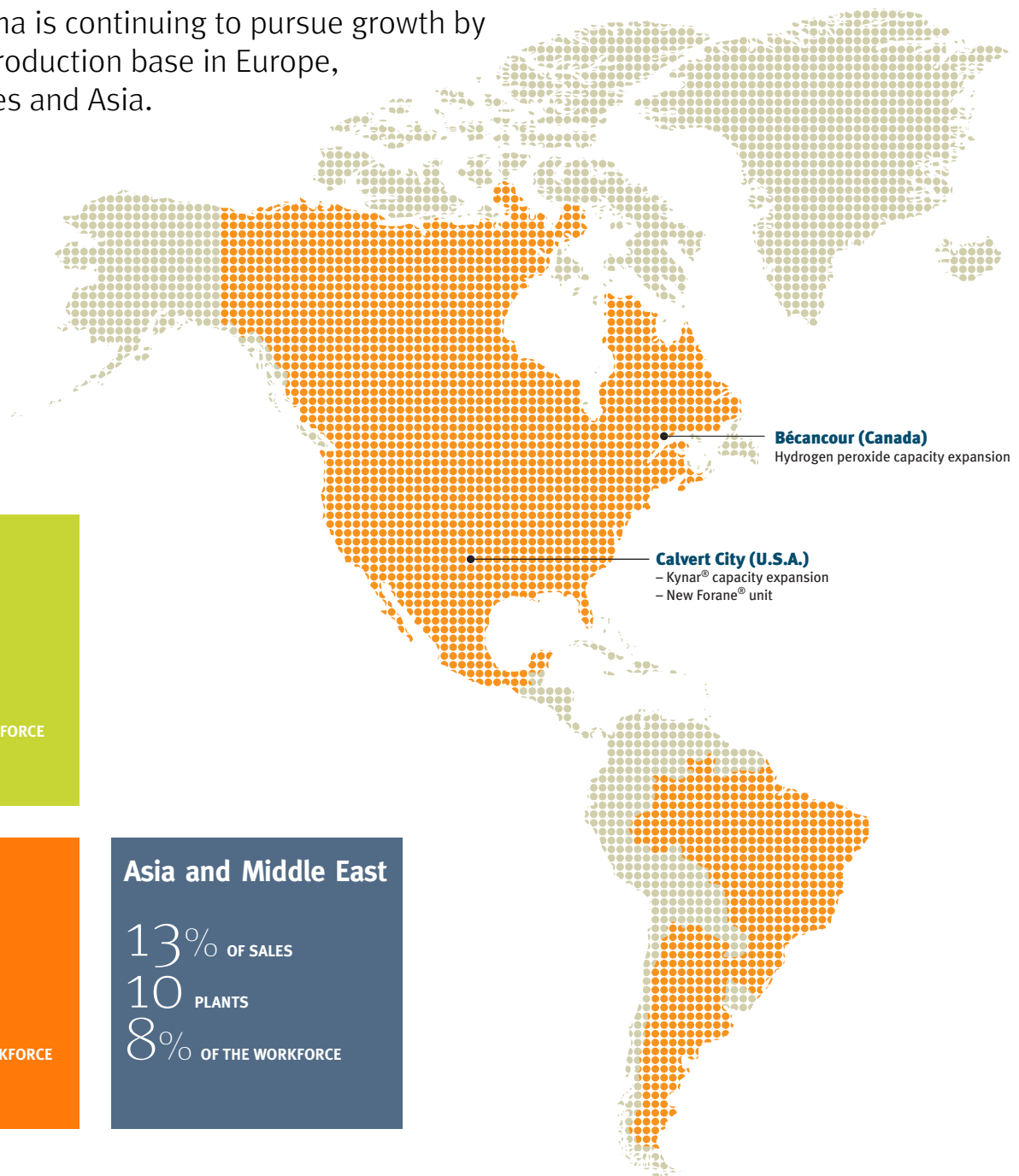
* Plexiglas® in North and South America, Altuglas® in the rest of the world.





International reach

With operations in more than 40 countries and top-tier positions in most of its manufacturing activities, Arkema is continuing to pursue growth by expanding its production base in Europe, the United States and Asia.



North America

25% OF SALES

20 PLANTS

16% OF THE WORKFORCE

Europe

58% OF SALES

50 PLANTS

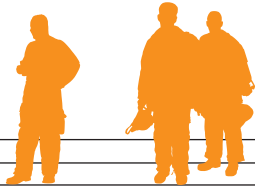
76% OF THE WORKFORCE

Asia and Middle East

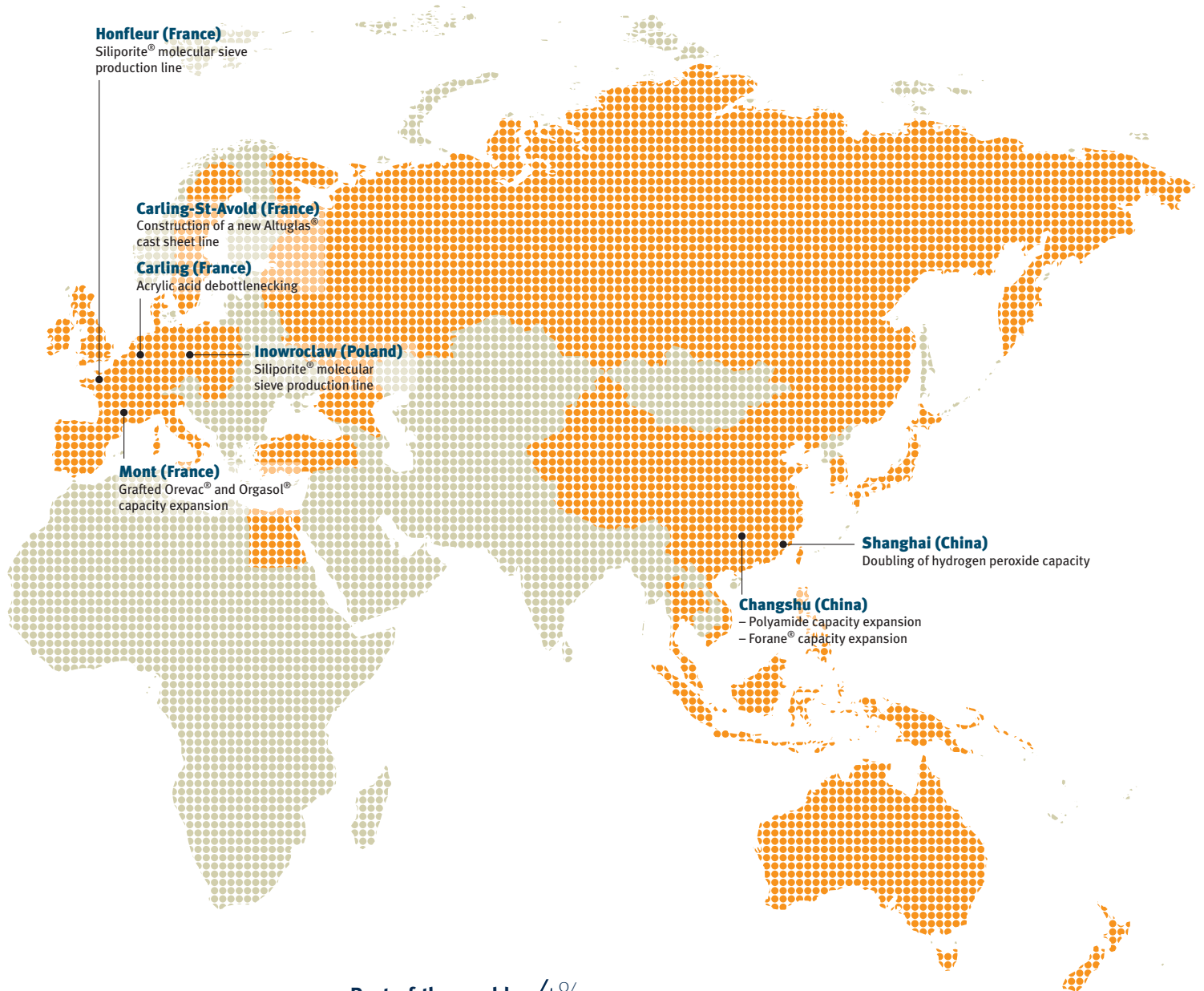
13% OF SALES

10 PLANTS

8% OF THE WORKFORCE



● — **MAIN DEVELOPMENT PROJECTS IN 2006 (STARTED UP OR APPROVED)**



Rest of the world 4% OF SALES

2006 main figures

International reach

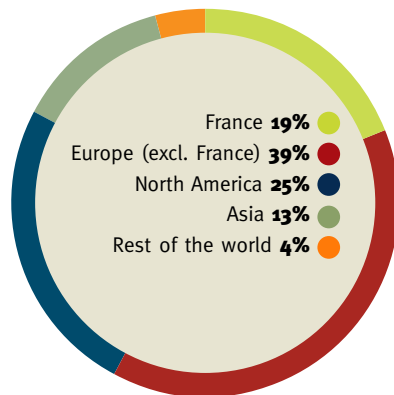
80 production plants: 20 in North and South America – 50 in Europe – 10 in Asia

1,350 researchers at 6 R&D centers:

4 in France – 1 in the United States – 1 in Japan

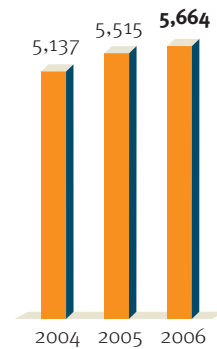
17,000 employees

➤ Sales by region

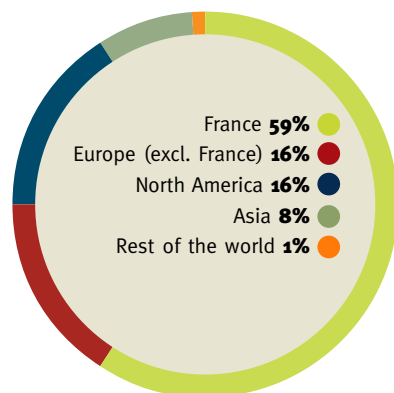


➤ Sales

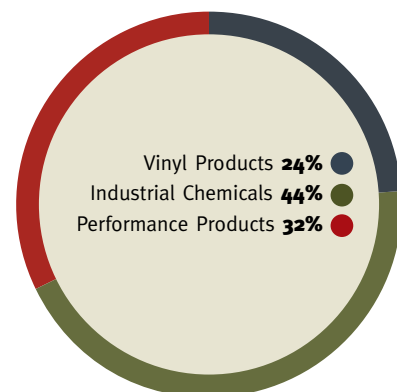
(€ millions)



➤ Workforce by region

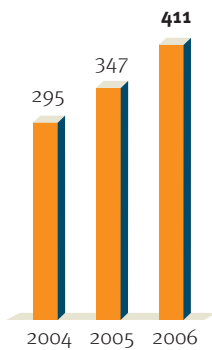


➤ Sales by business segment





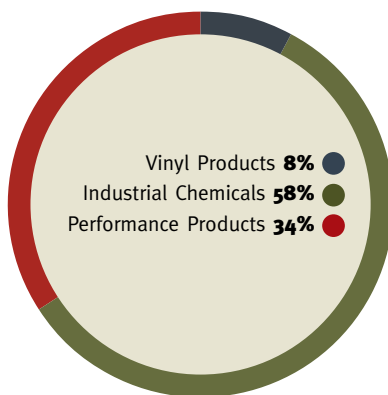
➤ **Recurring EBITDA**
(€ millions)



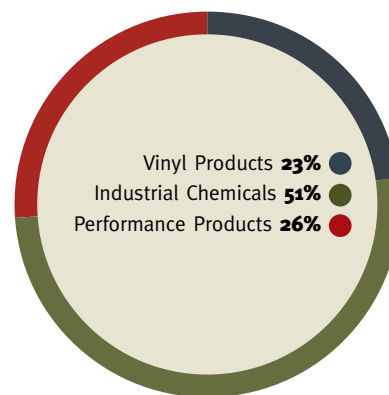
➤ **Capital expenditure**
(including Cerexagri) (€ millions)



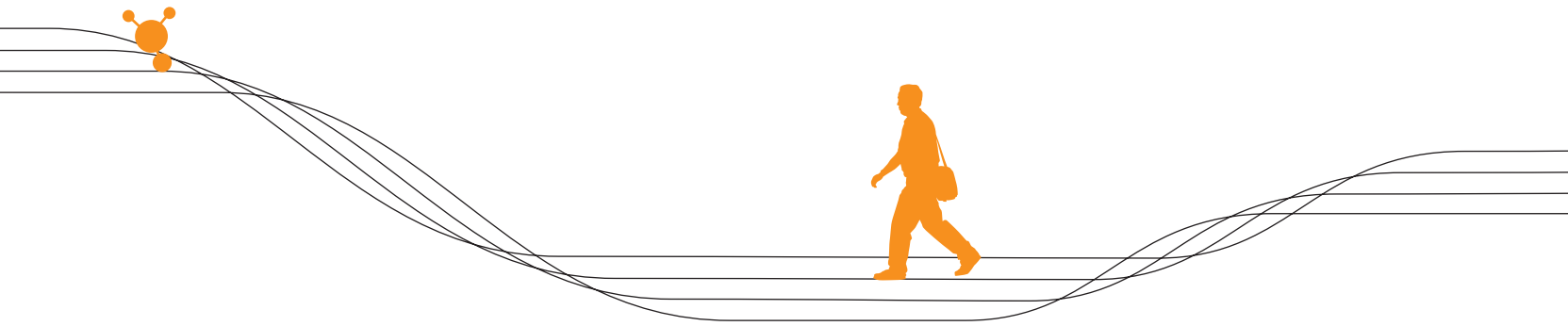
➤ **EBITDA by business segment**
(excluding corporate)



➤ **Capital expenditure by business segment**







Interview with Thierry Le Hénaff

With your first shareholders' meeting just around the corner, how would you assess your first year as a listed company?

A shareholders' meeting is always an important event on a company's calendar. That's especially true for Arkema, which only began operating independently in May 2006. Pursuing the strategy devised when we were created, we have stepped up our transformation and are now in the black. I'd like to emphasize how much Arkema's employees have done during this period. Their hard work and the healthy balance sheet we inherited from Total enabled us to report a profit and positive cash flow in 2006, despite lower margins than most of our competitors.

How did Arkema perform financially in 2006?

We significantly outperformed all of our financial objectives, with net income of €45 million and recurring operating income up 60% to €200 million*. We owe these results to the major turnaround in our Performance Products business, which has sharply increased its sales and improved its competitiveness. Vinyl Products began reaping the initial benefits of its restructuring, while Industrial Chemicals weathered tougher business conditions to continue to post solid profits. Our EBITDA margin was 7.3%, compared to 6.3% in 2005. These improvements

show that our strategy is the right one, and we will keep pursuing it while focusing on its three priorities: industrial excellence, innovation through R&D and growth in Asia.

How does Arkema define industrial excellence? What are your improvement drivers?

Industrial excellence starts with safety, an area in which we have made significant strides, improving our performance 30% in 2006. Arkema's Executive Committee is directly involved in our safety process, which is discussed at our monthly meetings.

In 2006, we also continued upgrading our production base, where still more can be done despite the progress already made. That's why we spent more than €150 million last year to maintain our plants and make them more reliable. We also expanded facilities with strong growth potential, such as Carling in France for acrylics and Bécancour in Canada for hydrogen peroxide.

* These figures exclude Cerexagri, in accordance with the IFRS 5 standard. With Cerexagri, recurring operating income would have been €211 million in 2006, an increase of 65% over 2005.

“ Building a successful company capable of creating long-term value.



“ We significantly outperformed all of our financial objectives in 2006.

You are adamant that this progress has to be made quickly. Why?

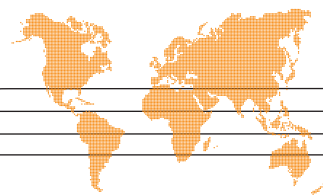
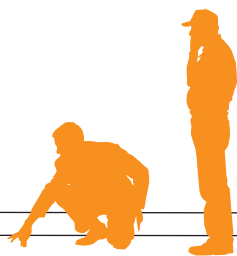
We operate in a world of constant change, as shown by Asia’s emergence, the growing burden of regulations, industrial advances and the need to continuously enhance the services we offer our customers. This demanding environment sets the pace for our improvements. We also have to close the competitive gap and put ourselves on an equal footing with our rivals. But you definitely don’t build a company like ours by focusing solely on costs. So our strategy strikes a balance between improving competitiveness and expanding our global marketing presence.

What are you doing to secure Arkema’s future?

Our combined R&D and capital spending amounts to 8% of our sales every year, one of the highest percentages of investment in the future in the chemical industry. We have very ambitious production goals—in Asia, of course, and in the United States, where there is room for improvement, and also in France, which accounts for nearly half of our capital spending annually. At the same time, as part of our strategy of refocusing our portfolio, we have begun divesting assets equivalent to €400 million in sales and are planning targeted acquisitions that will generate €500 to €800 million in sales.

What is Arkema’s growth strategy in Asia?

In 2006, we commissioned an organic peroxide production unit and doubled the capacity of the polyamide lines at our Changshu hub. We also announced a 50% capacity expansion for our Forane® 22 unit at the same facility and a doubling of capacity at our hydrogen peroxide plant in Shanghai. Every year, we invest around €50 million in production facilities in Asia, in a targeted number of product lines. Also in Asia, we signed a memorandum of understanding with Essar to build a world-class acrylics plant in India.



What are your R&D goals?

Arkema is fortunate to have R&D centers in three countries—France, the United States and Japan—each with a strong, established chemical industry. That’s a real advantage for us, since our strategy includes deploying projects that will deliver growth and strengthen the linkage between R&D and marketing.

More than 10% of our R&D involves very long-term projects that chiefly explore polymer nanostructuring, the energies of the future and renewable raw materials—projects driving a different kind of chemical industry in which Arkema aims to take a leadership role.

What does sustainable development mean at Arkema?

As a responsible producer, Arkema is committed to taking into account the changes in the world around us, in order to provide the best the chemical industry has to offer while constantly improving the local integration of our operations.

Like the global chemical industry of which we are a part, Arkema has made significant strides in recent years in preventing risks and protecting human health and the environment. Our commitment to the industry’s voluntary Responsible Care® process is reflected in our initiatives to enhance safety, continually lower our emissions and implement the E.U. REACH regulation to expand our product knowledge base. We stay in regular touch with our contacts in these areas, especially through our Common Ground® initiative.

Our R&D teams are developing processes that use renewable raw materials, in response to growing demand for increasingly “green” products. These products currently account for about 4% of our sales. Our long-term goal is to lift this to 10%.

“ We operate in a world of constant change, a demanding environment that sets the pace for our improvements.

We are convinced Arkema’s success is inseparable from the way we assume our social, community and environmental responsibilities.

How do you see Arkema in the future?

Arkema’s transformation is a long-term project. When created in 2004, we had significant potential, but our foundations needed to be consolidated. We have changed tremendously in just two years, becoming much more robust. Our goal is to build an efficient, competitive company, as profitable for each of our product lines as our peers, by 2010.

In a profoundly changing world, we are also determined to embody a new kind of chemical producer—responsible, innovative and attentive to our customers. We have already come a long way.

And I firmly believe that by combining and leveraging the individual talents of the people who make up Arkema, we are building a successful company capable of creating long-term value.

Corporate governance

In anticipation of Arkema's listing on May 18, 2006, we created a corporate governance organization that emphasizes and carefully monitors the effectiveness of our organizational, internal control and decision-making processes.

The Board of Directors determines the strategic vision of the Company and ensures its implementation.

The Executive Committee is responsible for implementing the Company's strategic vision in day-to-day management.





Board of Directors

The Board of Directors comprises eight directors, six of whom are deemed to be independent* under the criteria specified in the Board of Directors' bylaws

1 Thierry Le Hénaff

Born in 1963, Thierry Le Hénaff holds degrees from France's *École Polytechnique* and *École Nationale des Ponts et Chaussées* engineering schools and a Master's degree in Industrial Management from Stanford University in the United States. He was appointed Chairman and Chief Executive Officer of Arkema in October 2004.

2 François Enaud*

Born in 1959, François Enaud is a graduate of France's *École Polytechnique* and *École Nationale des Ponts et Chaussées* engineering schools. He has been Chairman and Chief Executive Officer of Stéria since 1998.

3 Bernard Kasriel*

Born in 1946, Bernard Kasriel is a graduate of France's *École Polytechnique* engineering school and has an MBA from Harvard Business School and INSEAD business school. He was appointed Vice Chairman & Chief Operating Officer of Lafarge in 1995 and was Chief Executive Officer from 2003 to end-2005. He has been a Managing Partner at LBO France since September 2006.

4 Laurent Mignon*

Born in 1964, Laurent Mignon is a graduate of France's *Hautes Études Commerciales* business school and the Stanford Executive Program. He has served as Managing Director of AGF and Chairman of the Executive Committee since January 1, 2006.

5 Thierry Morin*

Born in 1952, Thierry Morin is a graduate of *Université de Paris IX—Dauphine* and a *Chevalier de la Légion d'Honneur, des Arts et des Lettres* (Knight of the Order of Arts and Letters). He was appointed Chairman of the Management Board of Valeo in 2001 and Chairman and Chief Executive Officer of Valeo in March 2003.

6 Jean-Pierre Seeuws

Born in 1945, Jean-Pierre Seeuws is a graduate of France's *École Polytechnique* engineering school. He was a member of Total SA's Executive Committee from 1996 to 2000. Between 2000 and 2005, he was General Delegate for Total's Chemicals businesses in the United States and Chief Executive Officer of Atofina Chemicals Inc. and Total Petrochemicals Inc.

7 Tidjane Thiam*

Born in 1962, Tidjane Thiam is a graduate of France's *École Polytechnique* and *École des Mines de Paris* engineering schools. He holds an MBA from INSEAD business school. He has been Chief Executive Officer of Aviva Europe since 2006.

8 Philippe Vassor*

Born in 1953, Philippe Vassor is a graduate of France's *École Supérieure de Commerce de Paris* business school and a certified public accountant and statutory auditor. He spent most of his career (1975 to 2005) at Deloitte & Touche, where he was Chairman and Chief Executive Officer in France and a member of the global Executive Group, responsible for Human Resources, from 2000 to 2004. He has served as the Chairman of Baignas SAS since June 2005.

Duties and Procedures of the Board of Directors

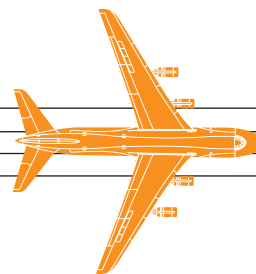
The Board of Directors, its various committees and the combined skills of the individuals who serve on them help to foster a culture of internal control appropriate to Arkema's line of business. The Board monitors the Company's progress in achieving and implementing our strategic objectives and oversees the Company's management. It has decision-making authority over major transactions and oversees the quality of investor information provided. The Board meets at least four times a year and whenever circumstances so require.

Board of Directors Activity in 2006

The Board of Directors met nine times in 2006. The average attendance was 93.8%.

The agenda for these meetings included, but was not limited to, the following subjects:

- Adoption of corporate governance measures.
- Examination of the reports of the Audit and Accounts Committee and the Appointments and Compensation Committee.
- Review of quarterly and interim earnings and the corresponding news releases.
- Appointment of Tidjane Thiam to the Board as a Director.
- Setting of the compensation for the Chairman and Chief Executive Officer and stipulation of the Chief Executive Officer's powers.
- Determination of limits on the Chief Executive Officer's authority to issue guarantees.
- Approval of stock option plans and plans granting stock without consideration.



- Review of the conditions governing the Executive Committee's compensation.
- Determination of the Company's insurance and safety policy.
- Approval of the internal reorganization plan (sale of the Agrochemicals Business Unit).

Board of Directors' Committees

The Board of Directors created two standing committees on May 12, 2006, the Audit and Accounts Committee and the Appointments and Compensation Committee.

Audit and Accounts Committee

The Audit and Accounts Committee is comprised of Philippe Vassor (Chairman), Jean-Pierre Seeuws and Laurent Mignon, giving it two independent directors including the Chairman. Thierry Lemonnier, Arkema's Chief Financial Officer, is the Committee's secretary.

In selecting the members of the Committee, the Board of Directors paid particular attention to their financial and accounting qualifications.

The Audit Committee's role is to assist the Board of Directors in ensuring effective internal control and reliable investor information. The Committee's duties include:

- Recommending the appointment of statutory auditors and their compensation in accordance with the rules governing independent auditor appointments.
- Ensuring compliance with the legislative and regulatory provisions in effect when statutory auditors are asked to perform non-audit services.
- Examining the assumptions and accounting policies used to prepare the financial statements, examining parent company annual financial statements and the consolidated annual, interim and quarterly financial statements prior to their examination by the Board, and examining the financial information in news releases prior to their distribution.
- Examining the choice and consistency of appropriate accounting principles.
- Reviewing the implementation of internal control procedures.
- Reviewing the scope of annual auditing programs and work.
- Evaluating the system for delegating commitment authority.
- Examining the appropriateness of risk oversight procedures.
- Examining the policy of the Company's use of derivative instruments.
- Evaluating the major transactions being contemplated by the Company.
- Keeping regularly informed of developments in significant legal and arbitration proceedings.
- Reviewing the main off-balance-sheet liabilities, especially the most significant new contracts.
- Preparing and presenting the reports provided for in the Rules of Procedure and presenting to the Board a draft of the section of the annual report dealing with the areas that fall within its terms of reference, as well as drafts of any other documents covering the same area that are required under the applicable regulations.

Appointments and Compensation Committee

The Appointments and Compensation Committee consists of Thierry Morin (Chairman), François Enaud and Bernard Kasriel, who are independent directors. Michel Delaborde, Executive Vice-President, Human Resources and Corporate Communications, is the Committee's secretary.

The Committee performs the following specific tasks:

With respect to appointments

- Recommends to the Board of Directors candidates for appointment to the Board and its committees.
- Each year presents to the Board a list of the directors it deems to be independent.
- Assists the Board in the selection and evaluation of directors, corporate officers, and directors as Committee members.
- Prepares and presents an annual report on the Committee's procedures and performance.

With respect to compensation

- Reviews the primary compensation guidance proposed by senior management for executives, whether or not corporate officers.
- Makes recommendations and proposals to the Board regarding Company policy on compensation, retirement and insurance plans, in-kind benefits and the granting of stock options and shares without consideration, especially personal grants to corporate officers.
- Reviews the compensation of Executive Committee members, including stock option plans and plans for stock grants without consideration, retirement and insurance plans and in-kind benefits.
- Reviews the process for paying directors' fees to Board members and the terms and conditions for the reimbursement of directors' expenses, if any.
- Prepares and presents the reports provided for in the Rules of Procedure and presents to the Board a draft of the section of the annual report dealing with the areas that fall within its terms of reference, as well as drafts of any other documents covering the same area that are required under the applicable regulations.

Executive Committee

Thierry Le Hénaff is Chairman of the Board of Directors and Chief Executive Officer of Arkema. To assist him in managing the Company, the Chairman has created an Executive Committee, which he chairs. The other Committee members are the Executive Vice-Presidents of our three business segments, Otto Takken (Vinyl Products), Marc Schuller (Industrial Chemicals) and Philippe Goebel (Performance Products), and the senior executives of the four corporate support functions: Executive-Vice Presidents Michel Delaborde (Human Resources and Corporate Communications), Alain Devic (Industrial Operations) and Bernard Boyer (Strategy) and Chief Financial Officer Thierry Lemonnier.

The Executive Committee is primarily a decision-making organization that also carries out strategic planning, tracks performance and examines important organizational issues and major projects. More specifically, in support of our internal control process, the Executive Committee:



Otto Takken
Executive Vice-President,
Vinyl Products



Marc Schuller
Executive Vice-President,
Industrial Chemicals



Philippe Goebel
Executive Vice-President,
Performance Products



Michel Delaborde
Executive Vice-President,
Human Resources and
Corporate Communications



Alain Devic
Executive Vice-President,
Industrial Operations



Thierry Lemonnier
Chief Financial Officer



Bernard Boyer
Executive Vice-President,
Strategy

- Sets the objectives for each business unit, corporate department and subsidiary and provides them with the resources needed to achieve them.
- Defines internal control processes and the rules for delegating responsibilities.
- Annually reviews Arkema's major areas of risk exposure.
- Ensures implementation of the control processes necessary to achieve company objectives, with the support of the Internal Audit Department and Internal Control Project.

The Executive Committee usually meets twice a month. Each member is responsible for ensuring compliance with shared rules and principles in the operations he oversees.

Organization

Arkema is organized into three business segments, Vinyl Products, Industrial Chemicals and Performance Products, and 12 profit centers, called business units.

Our organization changed in 2006, when Additives and Organic Peroxides were merged to create the Functional Additives business unit and Chlorochemicals was split into two business units, Chlorine/Caustic Soda and PVC.

In addition, our Agrochemicals business unit, Cerexagri, was sold on February 1, 2007, while Urea Formaldehyde Resins was dissolved as a business unit following the closure of the Villers-Saint-Paul facility in France and the announcement of plans to sell the Leuna plant in Germany.

Our businesses are organized into clusters of related activities. Vinyl Products encompasses chlorochemicals, Industrial Chemicals deals with the major chemical intermediates, and Performance Products focuses primarily on applications. The business units are responsible for plant management, research, sales, marketing and customer relations. Fully accountable for results, the units are supported by central corporate departments that make sure all components work together effectively and seamlessly and also provide ongoing assistance with accounting, taxes, legal services, information systems, human resources and corporate communications.

Vinyl Products

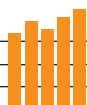
Chlorine/Caustic Soda | PVC | Vinyl Compounds | Pipes and Profiles (Alphacan)

Industrial Chemicals

Acrylics | PMMA (Altugas International) | Thiochemicals | Fluorochemicals | Hydrogen Peroxide

Performance Products

Technical Polymers | Specialty Chemicals (CECA) | Functional Additives

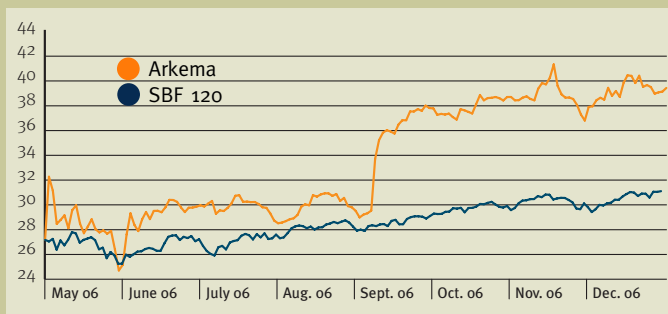


Shareholder notebook

Following the May 18, 2006 spin-off, we presented our businesses, strategy and outlook to investors and analysts at roadshows. In addition, our results were published quarterly. Announced on March 14, 2007, our 2006 annual results will be approved at our first Annual Shareholders' Meeting on June 5, 2007.

▶ Share performance in 2006: +42%

Arkema share performance versus the SBF 120 index



Opening price: €27.50 High: €41.45 Low: €24.94

Performance since listing on May 18, 2006:

Arkema: +41.56% (at December 31, 2006) SBF 120: +13.33%

Average daily trading volume in 2006: €14 million

▶ Shareholder base

As at December 31, 2006

	% of share capital
1. Shareholders owning at least 5% of the share capital	
Greenlight Capital	10.6
Dodge & Cox	5.0
JP Morgan AM	5.0
Groupe Bruxelles Lambert ^(a)	3.9
Compagnie Nationale à Portefeuille ^(a)	1.3
2. Group employees ^(b)	0.7
3. Registered shareholders	5.1
4. Other bearer shares	68.4
Including holders of ADRs	3.7
Total	100

(a) Groupe Bruxelles Lambert is jointly controlled by the Desmarais family and Frère-Bourgeois S.A.; Frère-Bourgeois S.A.'s interest in Groupe Bruxelles Lambert is held mainly via its direct and indirect interests in Compagnie Nationale à Portefeuille.

(b) Based on the definition of employee shareholder within the meaning of Article L. 225-102 of the French Code of Commerce.

Attentive to individual shareholders

As soon as Arkema was spun off, we created a number of resources for informing and communicating with individual shareholders:

- The **Investor Relations** section at www.arkema.com provides comprehensive financial and regulatory information, the share price, a financial calendar, contacts and an email alert service.

- Share prices and the latest Arkema news are available to shareholders via a **voice server**. An advisor is on hand to answer shareholder questions.

- The first issue of the **Shareholder Newsletter** was distributed in November 2006. It reports on the Group's latest news, financial performance, strategy, products and product applications. It also provides practical information for Arkema shareholders, to help them better understand our challenges and outlooks.

Frédéric Gauvard, Vice-President, Investor Relations, held information outreach meetings with shareholders. The first, on October 16, 2006 in Marseille, attracted more than 450 people.

Arkema participated for the first time ever in the Actionaria investor fair, which was held at the *Palais des Congrès de Paris* conference center on November 17 and 18, 2006. Thierry Le Hénaff spoke at the C.E.O. Forum.

Arkema will continue to develop relations with individual shareholders in 2007, not only at the Annual Shareholders' Meeting, but also at information meetings scheduled in Lille, Lyon, Nantes and Marseille.



Frequent contact with institutional shareholders and financial analysts

Just before listing, Arkema met with financial analysts on April 10, 2006 to introduce them to the Company and discuss our medium-term outlook. This presentation was followed by roadshows in Europe, with stopovers including Paris, London, Frankfurt, Zurich and Geneva, and in the United States (New York, Boston and San Francisco). Thierry Le Hénaff, Chairman and CEO, Thierry Lemonnier, Chief Financial Officer, and Bernard Boyer, Executive Vice-President, Strategy, met on these occasions with investors.

A similar roadshow was held when our interim results were published, as Arkema also held press conferences in Paris and London.

Quarterly results were discussed during conference calls led by Thierry Lemonnier and Bernard Boyer.

The materials related to these events are available at www.arkema.com/sites/group/en/finance.

Contacts

Individual shareholders

• Mail:

Arkema
Individual Shareholder Relations
420, rue d'Estienne d'Orves
92705 Colombes Cedex – France

• **Email:** actionnaires-individuels@arkema.com

• Telephone:

☎ **Toll-free number 0 800 01 00 01** (France only)

24/7: real-time share price, financial calendar, news and financial information.

An individual shareholder advisor is available Monday to Friday, from 9:00 a.m. to 12:30 p.m. and 1:30 to 5:00 p.m. This service can be reached from outside France by dialing +33.1.49.00.82.01.

Fact sheet for the Arkema share

Listing:
May 18, 2006

Market capitalization:
€2.4 billion

Number of shares:
60,453,823

Par value: €10

Free float: 100%

Listed on:
Euronext (Paris)
stock exchange

Indexes: SBF 120,
CAC MID 100,
DJ Euro STOXX
Chemicals

Sector: Chemicals
[1350] - **Subsector:**
Commodity
Chemicals [1353]

ISIN code:
FR0010313833

Ticker symbol: AKE

Bloomberg symbol:
AKE FP

Reuters code: AKE.PA

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(France only)

2007 calendar

01.25.2007	Information meeting in Lille
02.13.2007	Release of 2006 full-year sales
03.14.2007	Release of 2006 results
05.15.2007	Release of first-quarter 2007 results
06.05.2007	Annual Shareholders' Meeting
06.12.2007	Information meeting in Lyon
08.09.2007	Release of interim 2007 results
10.22.2007	Information meeting in Nantes
11.15.2007	Release of third-quarter 2007 results
11.16-17.2007	Salon Actionaria investor fair in Paris
12.06.2007	Information meeting in Marseille

• Web site:

www.arkema.com/sites/group/en/finance
(Individual Shareholders section)

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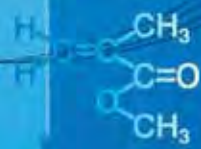
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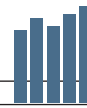
Performance

Making Arkema a world-class chemical producer, with a healthy balance sheet and solid positions across the global marketplace, through a strategy combining growth and competitiveness has been our goal since the company was created.





\$



Keeping Arkema growing and competitive

In a constantly changing world demanding ever-higher levels of adaptability and responsiveness, Arkema's strategy is evenly balanced between expanding our geographic reach, developing new products and enhancing competitiveness.

Solid foundations

To achieve our ambitious profitability and growth objectives, Arkema is building on the solid foundations that form the true bedrock of our strategy.

A new corporate culture

Instilling a more entrepreneurial corporate culture entails fostering direct employee involvement through the shared values of honesty, mutual support, company and personal performance, and accountability at every reporting level.

A healthy balance sheet

Arkema has a healthy balance sheet, with little debt and light pension and environmental liabilities. Today, our focus is on optimizing our working capital requirement and further improving our earnings.

A tighter, more responsive corporate organization

Arkema's corporate departments provide our business units with a variety of expertise, in particular in purchasing, logistics, safety and process proficiency. Their organization and size has been optimized to cut costs and make them more responsive, so that they can effectively oversee and consolidate the company and make sure that it operates seamlessly.

Sustainable development

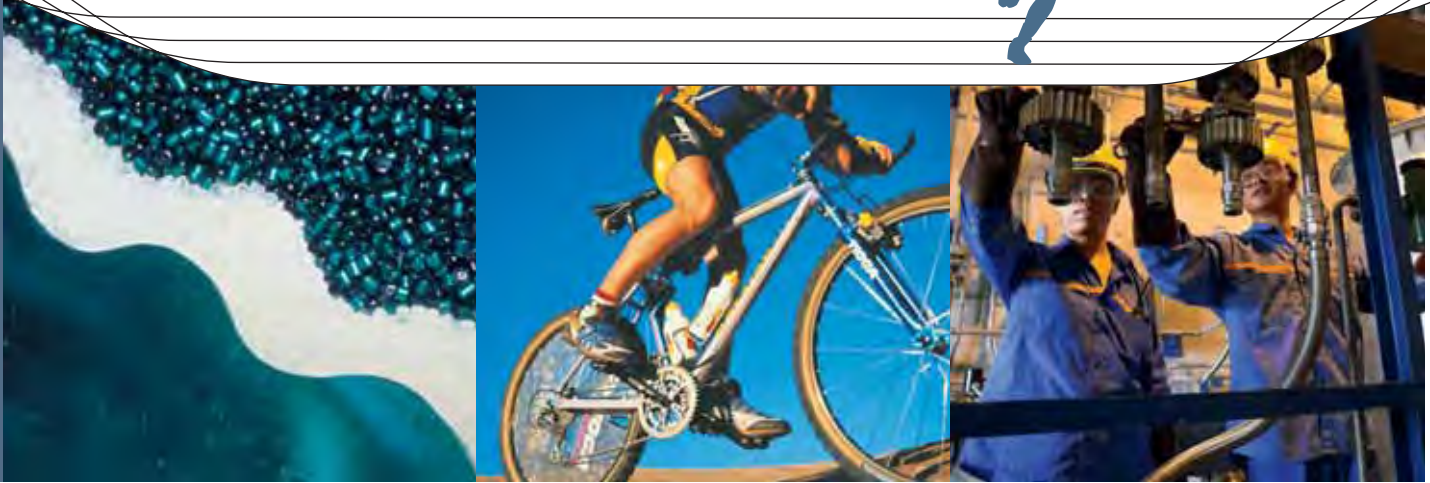
In the conduct of our business, Arkema is committed to managing risks, minimizing our environmental footprint, optimizing stewardship at every step in the product life cycle, and improving the local integration of our plants. We view new regulations as an opportunity to do better and drive innovation. Our ongoing efforts to curtail energy consumption and our growing use of renewable raw materials are part of a socially responsible program to reduce greenhouse gas emissions and conserve natural resources.

Three major strategic focuses

Arkema's strategy has three main focuses—industrial excellence, growth in Asia and innovation.

Industrial excellence

Since our creation in October 2004, we have pursued a strategy of continuously optimizing our production base, which includes closing inefficient operations and expanding our most efficient sites. One notable application of this policy is targeted debottleneckings that scale up production capacities and create world-class plants.



A core ingredient of competitiveness, the performance of the production base is a daily focus. Our goal is to operate increasingly reliable, efficient, safe and environmentally friendly facilities.

Growth in Asia

Building on a solid production base, we are continuing to expand in Asia by bolstering our Industrial Chemicals and Performance Products activities, which offer strong growth potential and can leverage their proximity to the Kyoto Technical Center in Japan. Some of our development is done with partners, for example our capacity scale-up at the hydrogen peroxide unit in Shanghai with Shanghai Coking, the memorandum of understanding to produce acrylic acid in India with Essar Chemicals and our plans to manufacture fluorochemicals with Daikin.

Innovation as a growth driver

Focused on developing innovative applications, creating new markets and exploring new lines of research, R&D is a key growth driver. We devote half of our research to performance products. The four main focuses of corporate R&D are nano-structured materials, ways of using renewable raw materials, process improvements, and developing new methods of energy production.

Creating long-term value

The quickening pace of change has allowed Arkema to significantly improve our profitability and to surpass our financial performance targets.

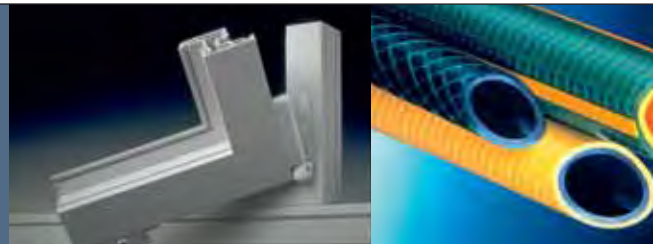
With a number of improvement and growth initiatives undertaken in 2006 across our activities, we are continuing our transformation through new projects to foster competitiveness and growth. We can confirm our target of 10 to 15% growth in recurring EBITDA a year for the period 2006-2008, which will be achieved by commissioning new units in 2006 and 2007, continuing to selectively manage our portfolio of activities and pursuing further cost reduction initiatives.

We are embarking on a new stage in our development, capitalizing on a very healthy balance sheet, a more entrepreneurial culture and a tighter, more responsive organization.

Building on the strategy defined at the time of the spin-off, our 2010 EBITDA margin target is 12% at mid-cycle in an unchanged business environment. Our supporting targets are lowering working capital to 18% of sales and maintaining a low net debt to equity ratio of around 40%.

The new targets confirm Arkema's potential and management's commitment to building a competitive global chemical concern.

Vinyl Products: focus on competitiveness



As part of the Vinyl Products consolidation plan, VCM production capacity was boosted at the Lavéra site in France in April 2006. The facility now produces over 500,000 metric tons a year and accounts for more than 40% of French VCM production.

Vinyl Products consists of four business units: Chlorine/Caustic Soda, PVC, Vinyl Compounds, and Pipes and Profiles (Alphacan). Its integrated activities range from brine electrolysis to PVC processing and encompass the manufacture of chlorine and caustic soda, vinyl chloride monomer (VCM), chloromethane, chlorine derivatives, PVC and vinyl compounds, as well as the downstream processing of pipes and profiles. The vinyl products market is volatile and shaped by intense competition.

Moreover, chlorochemicals labors under segment-specific constraints. One is energy costs. Chlorine and caustic soda are manufactured using an electrolysis process that requires roughly 3 MWh of electricity per metric ton produced. Balancing chlorine and caustic soda, which are produced in equal amounts but whose market demand fluctuates independently, is another challenge. And growth in the European market is sluggish—between 0 and 2% annually—with supply exceeding demand.

To remain a top-tier chlorochemicals producer in Europe, in 2005 we introduced a consolidation plan to enhance the competitiveness of our Vinyl Products business by shutting down uncompetitive operations and expanding the most efficient. The full benefits of the plan should be felt by the end of 2007.

Chlorine/Caustic Soda

The Chlorine/Caustic Soda business unit encompasses membrane cell, diaphragm cell and mercury cell electrolysis processes and the products immediately downstream, including vinyl chloride monomer (VCM), chloromethane and chlorine derivatives.

The Vinyl Products consolidation plan resulted in the permanent closure of the units manufacturing chlorine, VCM and some chlorine derivatives at the Saint-Auban facility in France.

In addition, through our interest in Qatar Vinyl Company (QVC), we are tracking potential developments in the Middle East.

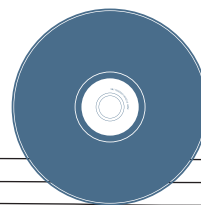
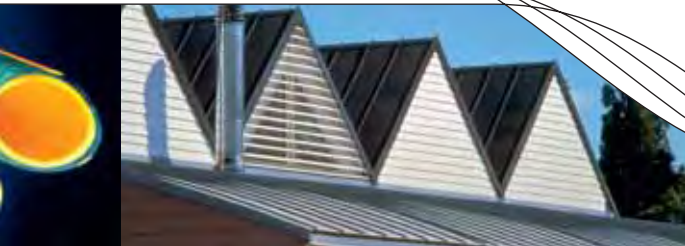
PVC

The PVC business unit produces general purpose and specialty PVCs, a segment in which Arkema ranks third in Europe. Some of our PVC production is earmarked for captive use by Alphacan and the Vinyl Compounds business unit.

In France, the Vinyl Products consolidation plan resulted in the permanent shutdown of general purpose PVC

Arkema is counting on higher value-added PVC specialties, such as slush molded PVC powders used in vehicle dashboards and center consoles, to drive our growth. These vinyl compounds offer exceptional tactile properties, UV and aging resistance, and contain only minute amounts of volatile organic compounds. They are specially formulated to earn excellent ratings during airbag and accelerated aging tests.





production units and an increase in specialty PVC production capacity at the Saint-Auban plant, changes at the general purpose PVC units at the Balan facility, and a scaling up of production capacity at the Berre site.

Vinyl Compounds

The Vinyl Compounds business unit manufactures and markets a wide array of ready-to-use products, made by blending PVC and various additives, including plasticizers, stabilizers and dyes. The PVC and some of the additives are sourced from Arkema plants.

To remain competitive, we are planning to concentrate our vinyl compound manufacturing at our most efficient sites. In France, this strategy led to the transfer of production from the Saint-Fons unit to the Resinoplast unit in Reims and to the restructuring of our subsidiary Dorlyl.

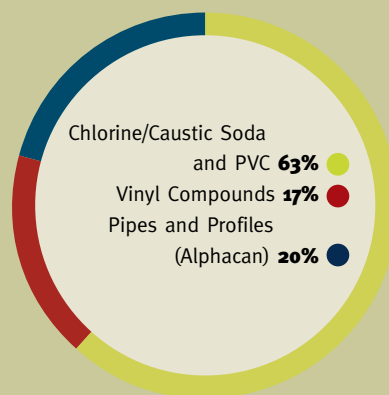
Pipes and Profiles (Alphacan)

The Pipes and Profiles business unit specializes in PVC extrusions and consists of a group of subsidiaries under the Alphacan banner.

The market for pipes, which we distribute mainly in France, Germany, the Benelux countries and Spain, is mature and highly competitive. Alphacan's strategy in

Main figures (€ millions)

	2004	2005	2006
Sales	1,367	1,387	1,379
Recurring EBITDA	44	20	38
Recurring operating income	(16)	8	21
Capital expenditure (gross)	59	61	76



Vinyl Products sales by business unit in 2006

this niche consists of maintaining its positions and consolidating its competitiveness while developing new products. The company distributes most of its profile products in southern Europe and the Balkan countries, markets that offer attractive growth potential, especially for higher-end products.



In France, the general purpose PVC production capacity at the Berre plant, a joint venture between Arkema and Solvin, was increased by 30,000 metric tons, to 270,000 metric tons a year.



Alphacan markets the Bipeau® CR16 pipe, a co-extruded, highly corrosion- and abrasion-resistant PVC pipe that is ideal for public and private sewage and wastewater systems. The patented Alphacan Bipeau® CR16 technology is used by 21 companies worldwide, with some 25 million linear meters of pipe manufactured annually.

Industrial Chemicals: targeted growth and partnerships



After debottlenecking 15% of the production capacity of the Carling acrylic acid unit in France in 2006, Arkema announced in January 2007 the signing of a memorandum of understanding with India's Essar to study the feasibility of a 50/50 joint venture in India to produce and market acrylic acid and esters.

Industrial Chemicals encompasses five business units that produce intermediates: Acrylics, PMMA and Methacrylics, Thiochemicals, Fluorochemicals and Hydrogen Peroxide. Arkema is a global leader in these products, with production units in Europe and North America for most major products, such as acrylic acid, methyl methacrylate, PMMA, fluorochemicals, hydrogen peroxide and sulfur derivatives. We also have extensive operations in Asia, including local production facilities for fluorochemicals, hydrogen peroxide and PMMA.

We intend to continue expanding these activities by strengthening our global positions through new plants in Asia, targeted debottlenecking in Europe and North America, and joint ventures with our leading partners.

PMMA (Altuglas International) and Methacrylics

The PMMA business unit spans methyl methacrylate through polymethyl methacrylate (PMMA) production. Altuglas International has operations worldwide and two widely recognized brands, Plexiglas® in North America and South America and Altuglas® in the rest of the world. Its main products—PMMA granules and cast or extruded sheets—have applications in a wide variety of markets, including the construction, automotive, plumbing, store sign, electronics and home appliance industries.

Altuglas International has parlayed its innovations into new developments, particularly in construction in the United States and resins for LCD screens in Asia.



Approximately \$45 million was invested at our Calvert City site in Kentucky to convert a unit to produce HFC-32, a next-generation refrigerant. The unit is expected to be commissioned in 2007.

Acrylics

The main Acrylics products are acrylic acid and its derivatives, especially acrylic esters and super-absorbents, oxo alcohol, phthalic anhydride and dioctyl phthalate. The main markets are coatings, plastic additives, water treatment, paper and adhesives.

The business unit leverages its strong marketing positions and extensive industrial expertise to consolidate and expand its global activities, especially in Asia, the fastest-growing market.

Thiochemicals

In addition to sulfur chemicals, Thiochemicals makes other product lines, such as amines, oxygenated solvents and rubber additives, which are produced by MLPC International, an Arkema subsidiary. Its primary markets are animal feed, polymers, pharmaceuticals, cosmetics, natural gas odorants, solvents and petrochemicals.

Thiochemicals has production facilities in Europe and the United States. In partnership with its customer Novus, it solidified its position with the 2005 commissioning of the Sulfox unit in Beaumont, Texas, which produces 3-methylthiopropionaldehyde (MMP), a precursor of methionine.

To keep pace with changing markets, the business unit also restructured its manufacturing operations at its Riverview, Michigan, plant in the United States and at the subsidiary MLPC International in France. The Lacq-Mourenx industrial platform in France will be revamped to make it more competitive, primarily by boosting its dimethyl disulfide (DMDS) production capacity by 30%, in order to supply global refining and petrochemical markets.

A PMMA Altuglas® resin application

Aixam has introduced the first license-free convertible. The Scouty cleverly combines an aluminum frame and ABS/PMMA co-extruded sheet with its elegant, gently rounded lines. With their gloss and UV and scratch resistance, the lightweight, attractive PMMA Altuglas® sheets eliminate the need for the standard varnish and paint finishes used on bodywork.





Fluorochemicals

Fluorochemicals produces and markets a range of hydrochlorofluorocarbons (HCFC) and hydrofluorocarbons (HFC) under the Forane® brand. These products are usually used in refrigeration and foam applications. They are also the monomers for the manufacture of polytetrafluoroethylene (PTFE) and polyvinylidene fluoride (PVDF).

Regulatory changes in industrialized countries will reduce the use of HCFCs in applications that generate emissions and lead to HCFC replacement in refrigeration applications. With this in mind, our production base is gradually being adapted to develop HFC-based mixtures and new foam substitutes.

At the same time, to capitalize on the growth potential of emerging economies, especially in Asia, Arkema announced a 50% increase in Forane®22 production capacity at our Changshu, China, facility.

Hydrogen Peroxide

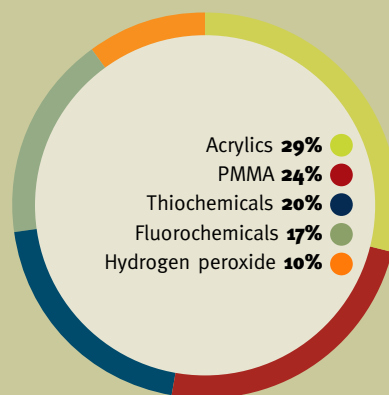
The Hydrogen Peroxide business unit is comprised of three product lines: hydrogen peroxide, chlorate and sodium perchlorate, and hydrazine hydrate and its derivatives. Hydrogen peroxide is primarily used in the pulp, chemical (including organic peroxides), textile and electronics industries. These markets are growing steadily, particularly in China and South America.

The world's third-largest producer of hydrogen peroxide, Arkema operates five facilities: Jarrie, France; Leuna, Germany; Bécancour, Canada; Memphis, United States; and Shanghai, China. Thanks to our recognized expertise and wide array of services, we are positioned as the partner of choice for local customers in the pulp and paper bleaching, chemical synthesis, detergent, food industry and electronics markets.



Main figures (€ millions)

	2004	2005	2006
Sales	2,143	2,406	2,494
Recurring EBITDA	220	316	267
Recurring operating income	106	204	160
Capital expenditure (gross)	135	145	172



Industrial Chemicals sales by business unit in 2006

Hydrogen peroxide enjoys a promising outlook due to its properties, notably its lack of harmful environmental effects.

In keeping with our strategy of targeted growth, production capacity was expanded by 20,000 metric tons at the Bécancour, Quebec, plant in Canada. We also announced plans to double the production capacity of our Shanghai, China, unit to almost 80,000 metric tons a year.



Arkema's Careflex® Service provides customers worldwide with customized technical assistance for activation of hydrotreating catalysts, which remove sulfur, nitrogen and metals from petroleum cuts. Careflex® complies fully with quality, safety and environmental protection standards.

Performance Products: innovation and refocusing on core businesses



The sale of Cerexagri to United Phosphorus Limited (UPL), a fast-growing Indian agrochemicals company, was finalized in early 2007. This transaction is in line with our selective portfolio management strategy. A specialist in formulating and producing crop protection products, the subsidiary had few synergies with our other operations.

Urea Formaldehyde Resins
The Urea Formaldehyde Resins business unit encompasses urea, formaldehyde and melamine-based resins for the particleboard, plywood and wood flooring market. In September 2006, Arkema announced plans to sell the business unit, because it is not directly related to our core businesses.

To enhance competitiveness, rebuild margins by increasing prices, manage the portfolio and develop through innovation, Arkema radically overhauled the Performance Products business in 2006. It now comprises three business units: Technical Polymers, Specialty Chemicals (CECA) and Functional Additives. Situated downstream from Industrial Chemicals, the business units share the objective of providing their respective markets with technical solutions tailored to customer requirements.

Arkema holds world-class positions in several niche markets, especially polyamides 11 and 12, PVDF, molecular sieves, PVC additives (tin-based heat stabilizers, impact modifiers and acrylic process aids) and organic peroxides.

Most of our Performance Products are sold under internationally recognized brands supported by quality customer relationships, the ability to devise innovative solutions and the potential to develop new, high-value-added products.

Technical Polymers

Technical Polymers comprises three main product lines—specialty polyamides, PVDF and functional polyolefins—marketed under internationally known brands such as Rilsan®, Orgasol®, Pebax®, Kynar®, Lotryl®, Lotader® and Orevac®.

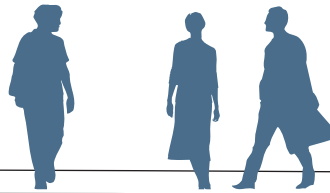
To sharpen its competitiveness, Technical Polymers has prepared a plan to restructure its Rilsan® fine polyamide powder activity in Serquigny, France, by consolidating production in a single unit. In addition, a number of projects were announced or implemented in line with our strategy of developing innovative, high-value-added products in a broader range, using expanded capacities. These include a 15% increase in the capacity of the Evatane® HC EVA unit in Balan, France; a Kynar® PVDF capacity expansion of more than 2,000 metric tons a year at the Calvert City facility in the United States; an increase in Orevac® functional polyolefin capacity at the Mont site in France; and a doubling of high-performance polyamide production capacity at the Changshu facility in China.

Specialty Chemicals (CECA)

The Specialty Chemicals subsidiary, CECA, is organized around two segments. Based mainly on specialty chemicals, surfactants/interface agents are used chiefly in detergents, oil and gas production, asphalt and

A leading global manufacturer of ultrafine polyamide powders, Arkema plans to boost by 40% the production capacity of the Orgasol® unit at the Mont facility in France. These ultrafine powders are made using a proprietary Arkema process and feature a very narrow particle size distribution of 5 to 60 microns. Their many applications range from aerospace to high-performance coatings and cosmetics.





fertilizers. Adsorption/filtration covers inorganic products such as Siliporite® molecular sieves, diatoms, Acticarbon® active carbon and perlite, which are used mainly in the building, agrifood, pharmaceutical and environmental protection segments.

CECA's strategy is to develop high-value-added product lines by leveraging its knowledge of markets and/or new applications. In a continuing effort to boost competitiveness, the Pierrefitte-Nestalas facility in France will be shut down and new sodium hypophosphite production capacity will be commissioned in China through a manufacturing joint venture.

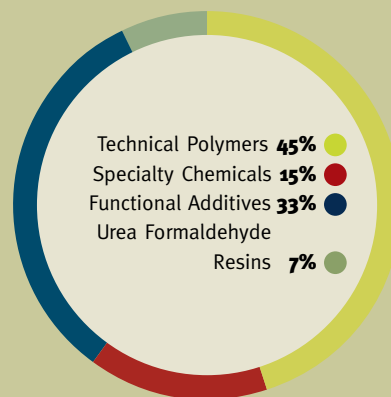
Functional Additives

To streamline the organization, capitalize on R&D synergies and take advantage of similar market approaches, the Additives and Organic Peroxide business units were merged. The new Functional Additives business unit comprises a number of product lines, including Luperox® polymerization initiators, PVC additives, coating additives and catalysts. Steps to make the new business unit more competitive included the decision to cease organic peroxide production at the Loison-sous-Lens site in France.

Development of the BlocBuilder® and Nanostrength® nanotechnologies continued. An agreement was signed

Main figures (€ millions)

	2004	2005	2006
Sales	1,619	1,713	1,784
Recurring EBITDA	93	102	156
Recurring operating income	(4)	15	71
Capital expenditure (gross)	100	117	87



Performance Products sales by business unit in 2006

with Chinese glass manufacturer Qinhuangdao Yaohua to build a second flat glass line. With their substantially enhanced properties, the new Durastrength® and Clearstrength® impact modifiers have proved popular with customers.



In the United States, production of dibutyltin oxide (DBTO) was ended at our Mobile, Alabama, plant and expanded at our Carrollton, Kentucky, facility. The result has been improved production performance of this additive used to crosslink automotive primers.



To support the business growth of its customers in the Eastern European double-pane window industry, CECA has announced a 30% expansion of its molecular sieve (synthetic zeolite) granulation capacity at the Inowroclaw plant in Poland. The new production line for adsorbent beads, marketed under the Siliporite® brand, will come on stream in early 2007.



A long-term production vision

Thanks to the business plan deployed since 2004, Arkema has strong foundations—a very healthy balance sheet, a more entrepreneurial culture and a responsive organization. We are leveraging these advantages to embark on a new stage of our growth, in which the emphasis is on industrial excellence, expansion in Asia and R&D-driven innovation.



Achieving industrial excellence

In an increasingly aggressive business environment, the performance of our production base and our ability to respond to market developments are critical to our competitiveness. Our short-term strategy is to create world-class facilities, enhance their operating performance, close uncompetitive production lines and optimize variable costs.



Creating world-class facilities

A number of capital spending projects announced in 2006 are designed to bolster our most efficient sites and create world-class facilities. Examples in France include expanded acrylics capacity at Carling, vinyl chloride capacity at Lavéra and hydrogen peroxide capacity at Jarrie. Our facilities in Shanghai, China, are also being extended.



Enhancing operational efficiency

Our production teams are focusing on three key drivers to enhance our production base—reliability, efficiency and safety. This commitment to improvement has been demonstrated in particular by a more than 10% increase in Rilsan® 11 and 12 polyamide monomer production capacity over three years, thanks to work performed at the Mont and Marseille-Saint-Menet facilities in France.

Closing uncompetitive units

An in-depth analysis was conducted across Arkema to identify potentially vulnerable activities that could undermine our long-term viability. As a result, the Loison and Villers-Saint-Paul plants in France were closed and sulfonyl manufacturing was reduced at the Riverview site in the United States.

Optimizing variable costs

Energy and raw materials prices have soared in recent years, and there is no sign of a letup. In response, we have optimized our variable cost management by stepping up our R&D and process enhancement efforts and by introducing projects that reduce energy consumption, and align with our concept of sustainable development.

Expanding Arkema's presence in Asia

Over the past several years, the global environment in which the chemical industry operates has changed radically. Markets are globalized and new operators have debuted in emerging economies. We have a strong presence in China, but also operate throughout Asia, in India, Singapore, South Korea and Japan.

Today, Asia accounts for 13% of our sales and 8% of our workforce, providing a solid underpinning to



substantially increase our presence and sales in the coming years. To achieve this goal, we will step up the pace of our expansion in Asia and are planning to invest €50 million in the region through 2010.

Our strategy sometimes is to form long-term manufacturing partnerships. Examples include ventures in fluorochemicals with Japan's Daikin, hydrogen peroxide with China's Shanghai Coking and acrylics with India's Essar. The effectiveness of this strategy was shown in the recent successful developments at the Changshu hub near Shanghai. There, a 50% increase in Forane® 22

capacity, the commissioning of a new organic peroxide unit and the doubling of polyamide production capacity demonstrate that a modern, efficient production hub offers genuine opportunities for growth.

Our research center in Kyoto, Japan, offers local R&D capabilities to support growth in Asia. The success of our products and brands in the region is reflected in the gradual deployment of strong technical expertise in China and the development of new applications such as Altuglas® LCD screens, CVD technology for flat glass and Pebax® for sporting goods.



The Changshu hub, successful developments
Arkema's strategy in Asia has been consolidated by recent developments that include a 50% increase in the capacity of the HCFC 22 unit, the commissioning of the new organic peroxide unit and the doubling of polyamide production capacity in less than a year.



Partnership with China's biggest flat glass manufacturer

In June 2006, Arkema, a world leader in coatings for the flat glass industry, announced it would partner with Qinhuangdao Yaohua, China's biggest manufacturer of hard-coat⁽¹⁾ glass, to build a second glass production line. The new line will use the Low-E² chemical vapor deposition (CVD) process developed jointly by Arkema and Stewart Engineers. Arkema's Certincoat® CVD coatings offer two energy conservation advantages: they reflect heat from within the room and feature a high solar heat-gain coefficient.

(1) "Hard-coat" refers to glass coatings applied using the chemical vapor deposition (CVD) process. These coatings have an unlimited lifetime.

(2) "Low-E" or "low-emissivity": Emissivity refers to a glass coating's ability to absorb or reflect infrared radiation, including heat. Low-E glass absorbs very little heat.

Innovation as a growth driver

With the quality of their work and their ability to create next-generation products, collaborate with customers on innovative applications and design ever more efficient processes, Arkema's R&D teams are critical drivers of our growth strategy.

1,350
RESEARCHERS AT
SIX RESEARCH CENTERS

€168
MILLION SPENT
ON RESEARCH IN 2006,
OR 3% OF SALES

163
PATENTS FILED IN
OVER 110 COUNTRIES IN 2006

Breaking the ground for the chemical industry of tomorrow

Arkema's R&D competencies are unquestionably one of our most valuable assets, comprising an international base of six research centers in France, the United States and Japan, the skills and expertise of 1,350 researchers, and funding equivalent to 3% of our sales. This capital expenditure is helping to secure our future, with particular emphasis on high-value-added activities, especially Performance Products.

Our strong research capabilities are propelling us into the future with new developments that are breaking ground for next-generation processes and products. Notable examples include nanostructured materials and related advanced technology applications, the development and use of bioresources in support of sustainable development, and the use of fluoropolymers to make membranes for fuel cells.

Materials designed to perform

Arkema is a world-class innovator in several high-performance applications, specifically in carbon nanotubes and technical polymers.

Carbon nanotubes to reinforce composite materials

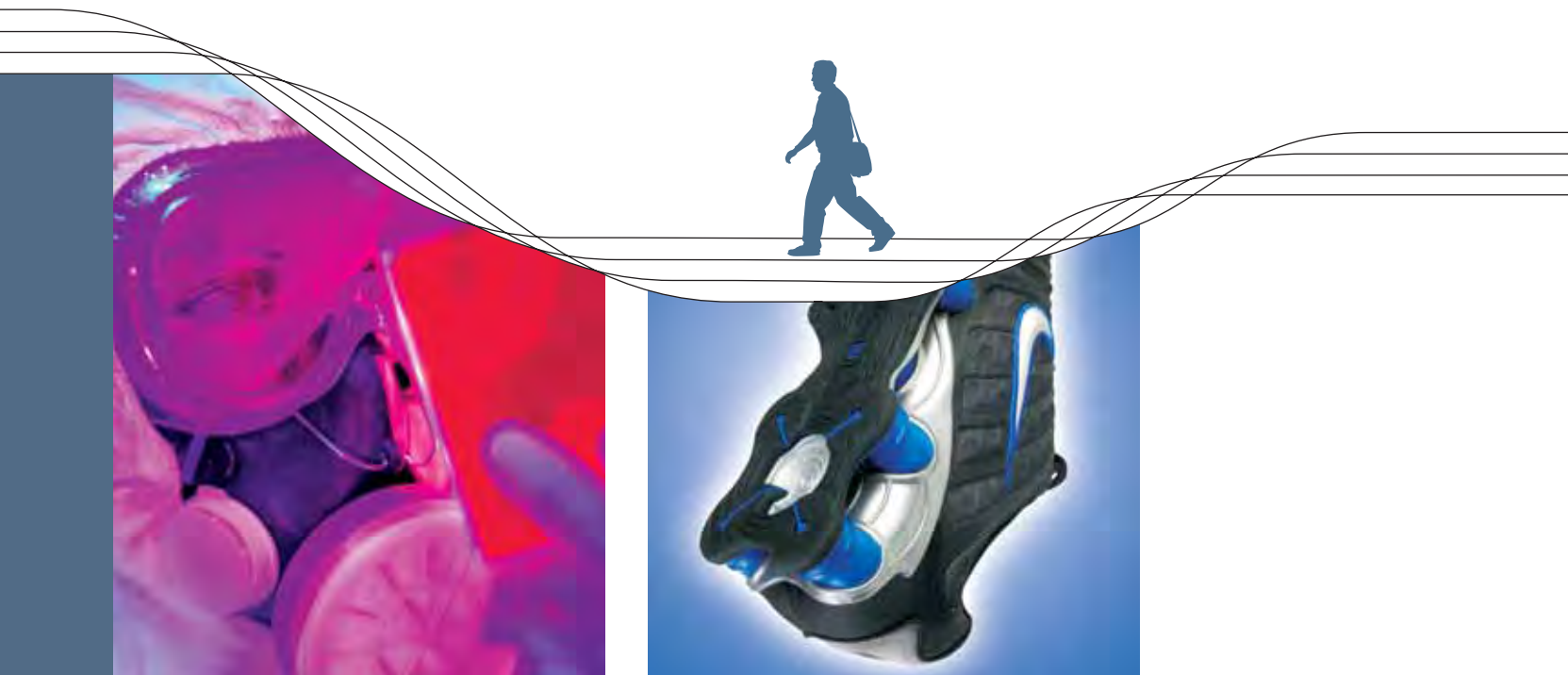
A pilot facility that produces Graphistrength® carbon nanotubes is up and running at our Lacq research center in France. Work there explores applications for carbon nanotubes and increases our knowledge about physical, chemical and toxicological properties, so carbon nanotubes can eventually be manufactured on an industrial scale.

In this field, Arkema partnered with Zyvex, a U.S. company that is the global leader in nanomaterials applications. Zyvex markets formulations that enhance the mechanical and electrical properties of polymers by selectively transferring the built-in properties of carbon nanotubes to composites for use in the sporting goods, aerospace, defense and automotive industries.

Technical polymers for fuel cells

Our King of Prussia research center in the United States is developing fluoropolymer membranes in partnership with other manufacturers, to produce fuel cells that will supply clean, efficient fuel for tomorrow's transportation. The research program has been awarded funding by the U.S. Department of Energy for a period of three years.





Molecular sieves for medical use

Patients suffering from respiratory insufficiency need a permanent source of oxygen-enriched air. Arkema's subsidiary CECA has developed new grades of Siliporite® molecular sieves specifically for oxygen concentrators that enrich ambient air to produce a more than 90% pure flow of oxygen. The system works by filtering room air through zeolite, a porous mineral whose nanometer-size cavities separate the nitrogen and oxygen molecules.

Partnerships with customers

Arkema aims to be an innovative supplier, by emphasizing the development of new products and applications in synergy with customers. At the same time, we are stepping up our presence and visibility in key markets, through initiatives designed to heighten awareness of partnered brands.

In the athletic gear market, Arkema's Pebax® was selected by sporting goods manufacturer Lotto for a revolutionary soccer shoe, the first without laces, and by Japan's Asics for its new upscale running shoe.

The remarkable properties of Arkema's Kynar® PVDF and the technology of Zotefoams, a British company that manufactures foam using a nitrogen gas expansion process, have spawned a new family of PVDF-based foams with remarkable mechanical, insulation and acoustic properties and excellent fire resistance.



Renewable raw materials and next-generation processes will be a core focus of tomorrow's chemical industry



Many products already based on renewable raw materials

A number of Arkema product lines already use raw materials harvested from plants. A prime example is a family of high-value-added performance products made directly from castor oil. They include Rilsan® 11, a high-end polyamide with technical applications; heptaldehyde, heptanoic acid and heptanol, used in fragrances and the agrifood industry; and esteryl, which has applications in industrial lubrication, concrete and metal working.

Products made by CECA, Arkema's Specialty Chemicals subsidiary, are also derived from renewable raw materials. Among these are surfactants from fats and oils used in the formulation of road-surfacing materials and oil and gas drilling, and active carbon obtained from various ligneous sources, including coconuts. Farm-

produced ethanol is an ingredient in ethylamine and ethyl acrylate, used to formulate paint. These different product lines generate some €250 million annually, or nearly 5% of our total sales.

Innovating by developing renewable raw materials

Arkema's R&D teams are exploring processes that will increase our use of renewable raw materials. New uses for glycerol, a biodiesel manufacturing byproduct, whose economics will change radically when future biofuel plants make it available in large quantities, are under study. We have filed several patents for reactions using glycerol as a raw material.

The R&D teams are also developing new copolymers using diacids or dialcohols from plant products. Technical copolymers such as Pebax® are one example.

Another avenue is to use farm-produced ethanol, especially in the manufacture of carbon nanotubes, as a replacement for ethylene supplied by the oil industry. Research is also underway to derive solvents from agricultural crops for degreasing agents and industrial cleaning. Such formulations would combine the performance of traditional solvents with the environmental advantages of "green" solvents. Lastly, our teams are evaluating bioprocesses that use glucose as a raw material in fermentation technologies.





Depending on how quickly current research programs advance, Arkema hopes to shift 5 to 7% of raw material purchases to renewables in the medium term, bringing sales from these products to almost 10% of the total.

Work to develop new materials, such as carbon nanotubes, takes into account life cycle requirements starting from the design stage of products and applications.

Energy-efficient, environmentally friendly processes

Making manufacturing processes more energy efficient is a critical R&D focus at Arkema. A real-world example is the development of new, more efficient electrodes for sodium chloride electrolysis, which reduces power consumption in chlorine production.

In the same vein, work on microreactors, primarily at the Axelera competitiveness hub in the Rhone-Alps region, resulted in the development of reaction chambers supporting precise control of heat fluxes that save significant amounts of energy. The use of smaller amounts of reagents also enhances safety.

But protecting the environment also means replacing certain reagents and reaction additives. A good example is substituting ionic liquids for solvents in chemical reactions, to curb emissions of volatile organic compounds.

Projects pursued through industrial and university partnerships with the active support of research-promoting organizations in France

- The BioHub™ project, with the Agency for Industrial Innovation (AII).
- Two competitiveness hubs, Axelera (Lyon and Rhone-Alps Chemistry-Environment), of which Arkema is a founding member, and Industrie Agro-Ressources in the Picardy-Champagne-Ardenne region.
- Research supported by the French National Research Agency (ANR).
- Projects with Agriculture for Chemicals and Energy (AGRICE).





Results well above targets

In 2006, Arkema exceeded its financial targets for the year, demonstrating the internal progress already achieved and the pace of change since the listing in May 2006.

EBITDA up 18%, net income of €45 million

The 2006 financial targets included a 10 to 15% increase in recurring EBITDA and a return to profit, representing a very clear turnaround compared with previous years. Internal measures to improve competitiveness and the launch of a number of growth projects resulted in a more than 18% increase in recurring EBITDA, to €411 million, and a net income of €45 million after three straight years of losses. With cash flow of €79 million excluding non-recurring pre-spin-off items, we also met our target of generating positive cash flow excluding non-recurring pre-spin-off items during the year, instead of in 2007 as initially forecast.

Sales rose 2.7% to €5,664 million, driven by strong growth in selling prices in all three business segments (sales up 3.8%) and by organic growth in volumes (0.8%), which more than offset the 1.5% loss of volume resulting from the closure of inefficient production units. The currency effect and changes in the scope of consolidation had a very limited impact.

The relative contributions of the three business segments shifted slightly, with Vinyl Products decreasing to 24% from 25%, Industrial Chemicals remaining stable at 44% and Performance Products increasing to 32% from 31%.

The clear improvement in EBITDA reflected the priority given to margin recovery, the development of higher value-added product lines and an almost €120-million reduction in fixed costs as a result of productivity efforts. These factors offset the volumes lost due to the implementation of restructuring plans, the impact of a sharp reduction in acrylic margins, a less favorable fluorochemicals environment in the second half, and the effects of inflation on fixed costs.

Recurring operating income climbed 60% to €200 million, after €211 million in depreciation and amortization expense, down €11 million due to the exceptional asset impairment charges recognized in 2005.

In line with guidance, net income amounted to €45 million, despite €92 million in non-recurring expenses related mainly to restructuring plans announced in





▶ Main figures (€ millions)

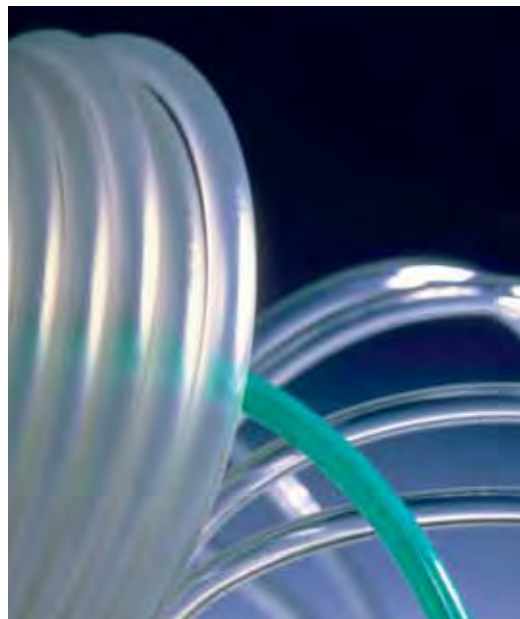
	2005	2006
Sales	5,515	5,664
Recurring EBITDA	347	411
EBITDA margin	6.3%	7.3%
Recurring operating income	125	200
Net income – Group share	(427)	45
Capital employed	3,017	3,025
Net debt	567	324

The 2006 consolidated and 2005 pro forma financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. In accordance with IFRS 5, Cerexagri was treated as a discontinued operation and, with the exception of net debt, its financial data have been excluded from the 2005 pro forma figures.

Performance Products (€40 million), the relocation of headquarters (€29 million) and additional expenses related to the Vinyl Products consolidation plan that could not be provided for at the end of 2005 (€8 million).

Higher earnings in every business

Vinyl Products sales eased back 0.6%, to €1,379 million, as PVC demand in Europe and price increases partially offset the reduction in production following the shutdown of units at the Saint-Auban plant, scheduled maintenance turnarounds at Balan and Lavéra, and the impact on ethylene supplies of the maintenance turnaround of the Naphtachimie steamcracker in Lavéra. EBITDA improved to €38 million from €20 million in 2005, thanks to strict control of fixed costs and PVC price hikes that offset higher energy and ethylene costs. The Chlorochemicals consolidation plan is proceeding on schedule.



▶ Vinyl Products (€ millions)

	2005	2006
Sales	1,387	1,379
Recurring EBITDA	20	38
Recurring operating income	8	21



► Industrial Chemicals (€ millions)

	2005	2006
Sales	2,406	2,494
Recurring EBITDA	316	267
Recurring operating income	204	160

Industrial Chemicals sales rose 3.7% to €2,494 million, as an increase in PMMA and thiochemicals sales, led by new developments, combined with strong acrylics volumes to fully offset lower acrylics prices and the impact of tougher market conditions in fluorochemicals in the second half of the year. EBITDA totaled €267 million, while EBITDA margin amounted to almost 11%, demonstrating the business' ability to withstand less favorable market conditions than in 2005, especially in acrylics.



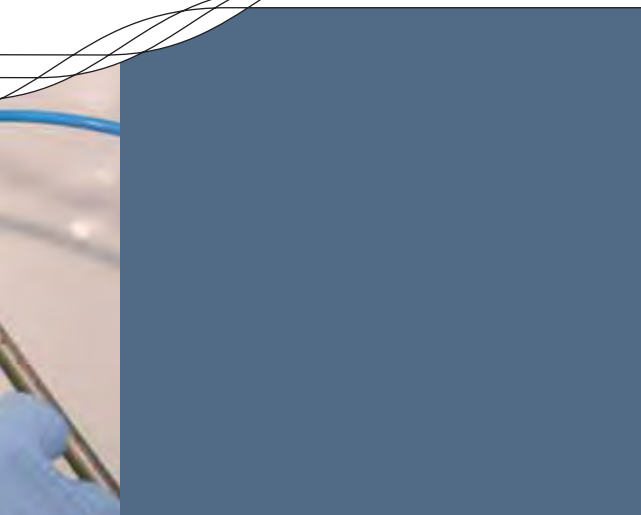
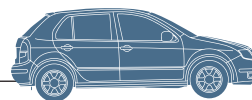
► Performance Products (€ millions)

	2005	2006
Sales	1,713	1,784
Recurring EBITDA	102	156
Recurring operating income	15	71

Performance Products sales were up 4.1% to €1,784 million, resulting from higher prices across the business unit and an increase in volumes despite the decline in production stemming from the closure of the Villers-Saint-Paul plant in France. The focus on restoring the business' competitiveness resulted in a strong rise in EBITDA, to €156 million (8.7% of sales) from €102 million in 2005 (6%). The improvements also reflected strong demand, new business developments in Technical Polymers and Specialty Chemicals, and careful attention to reducing fixed costs through restructuring plans that are beginning to deliver benefits. In contrast, the softening of the U.S. construction market negatively impacted Functional Additives at the end of the year.

Positive cash flow

Prior to the listing in May 2006, Arkema benefited from a €532-million capital increase subscribed by Total group companies, in order to finance a certain number of non-



recurring items treated as debt and termed “non-recurring pre-spin-off items.” Amounting to €580 million at end-2005, these items included provisions considered as debt, investments related to the Vinyl Products consolidation plan (€100 million) and additional expenses that could not be recognized at year-end 2005.

In 2006, cash flow was negatively impacted by the cash-outs of €359 million of these items, including €195 million related to European Union fines levied on Arkema for past antitrust practices. At end-2006, €212 million non-recurring pre-spin-off items remained to be expensed. If these non-recurring pre-spin-off items are excluded from the negative €280 million in 2006 net cash flow, net cash flow was a positive €79 million.

Cash flow figures include Cerexagri for 2005 and 2006.

A very strong balance sheet

Acquisitions of property, plant and equipment and intangible assets amounted to €336 million, including €305 million in recurring capital expenditure, in line with guidance, and €31 million for Vinyl Products’ consolidation plan. Capital expenditure is expected to total around €350 million in 2007, of which €50 million for Vinyl Products’ consolidation plan.

Working capital stood at €1,167 million at year-end, down €57 million from 2005. Reducing working capital is a priority, with the target of lowering it to 18% of sales by 2010.

Capital employed was virtually unchanged at €3,025 million in 2006 versus €3,017 million the year before. Vinyl Products still accounted for 17%, Industrial Chemicals’ share widened to 47% from 45% and Performance Products’ share declined to 36% from 38%.

Consolidated net debt (excluding the sale of Cerexagri) stood at €324 million at end-December 2006. This amount includes the €532-million capital increase subscribed by Total group companies prior to the listing but is before the €110 million in proceeds from the Cerexagri divestment received in early 2007. Taking into account the €212 million in non-recurring pre-spin-off items remaining to be expensed at end-2006, the net debt to equity ratio was 28%, confirming Arkema’s strong balance sheet.



Responsibility

We embrace sustainable development principles, through risk and environmental impact management, product stewardship, employee dialogue to support and ease change, and community dialogue to take into account the legitimate expectations of society.





H_2O_2

Industrial safety, expertise, organization and vigilance

Make prevention the focus of risk management, to ensure personal safety and protect human health.



Peer observation

Implemented in the United States and extended to Europe, peer observation aims to prevent accidents by making plant personnel more aware of hazardous situations. It involves an on-the-job observation process that identifies unsafe situations and sparks discussion about safe behavior. Peer observation has proved effective and sharply reduced the number of workplace accidents. It is gradually being introduced at all Arkema production facilities.

A global process designed to achieve excellence

Fostering a shared safety culture under the *Safety in Action* banner

Arkema's safety process is planned and initiated globally by Industrial Safety. This department oversees the deployment of safety management systems, the scheduling of control audits and the involvement of all employees, regardless of their reporting level or business. This initiative, cascaded worldwide under the *Safety in Action* banner, is conspicuous and clear to everyone. There are three interlocking parts to our industrial safety strategy:

- A technical component that deals with major risk prevention at our facilities and hazardous materials transportation. It involves taking steps to implement appropriate prevention and protection measures as early as possible, during process planning, installation design, equipment selection and manufacturing operations definition.
- A component concerned with the quality of production operations, including the deployment of safety management systems tailored to the specific needs of each plant. Our safety management systems are regularly audited and certified by internal and outside auditors based on the International Safety Rating System (ISRS).
- A behavioral component, incorporating workplace health and safety, because improving industrial safety performance is tied closely to the fostering of a shared

safety culture. Since 2004, our action plans have factored in behavior-based aspects for everyone working at our plants, whether Arkema or contractor employees.

Building on practical, everyday measures

Driving action at the corporate level, cascading it locally in the field

Arkema deploys the *Safety in Action* program worldwide to improve personal and collective safety practices and provide our plants with practical, universal tools that can cascade to all facilities:

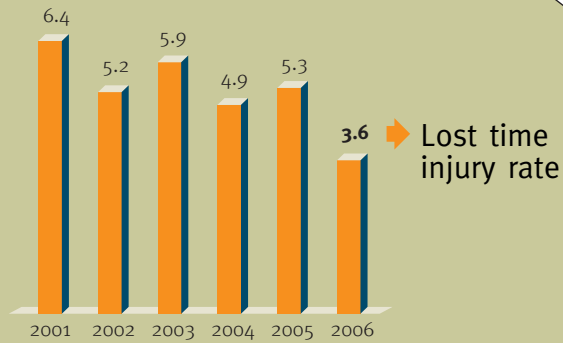
- "Highlights" are quarterly meetings so that all teams at every facility can discuss safety after watching a short video shot at an Arkema plant. Each video is based on a safety-related scenario submitted by local teams. The team members whose scenario is selected perform as actors in their video.

These videos provide an opportunity to analyze common practices in the field and involve employees in improving safety habits and eliminating unsafe behaviors.

2006 "Highlights" topics included good manufacturing practices filmed at Fos-sur-Mer in France; how to handle tools at Alphacan Gaillon in France; complacency about risks at Leuna in Germany; and proper posture and body mechanics at Matamoros in Mexico.

- All production facilities worldwide have an orientation procedure to inform visitors and carriers about





Arkema's industrial safety standards and educate them about compliance with safety rules. We make sure they understand safety instructions by having them watch a video and fill out a questionnaire about facility safety rules.

- All Arkema job applicants are given safety aptitude and behavior tests prior to hiring.
- Our deployment of Health Safety Environment Quality (HSEQ) management systems has been supplemented by additional training in those areas, including personal HSEQ training plans for all reporting levels up to and including business unit managers.

Our safety policy is directly supported and promoted by Arkema's Executive Committee members, who regularly visit production facilities.

Thanks to the efforts of our teams, Arkema's safety performance, encompassing our own and contractor employees, improved sharply in 2006, with the lost-time injury rate falling 30%. We will continue our safety initiatives and work toward becoming one of the "best in class" in our industry.



The same concern for product transportation safety

Arkema has a team of experts dedicated specifically to transportation safety, which identifies and minimizes the hazards associated with product transportation. Whenever possible, we opt for transportation by barge, which offers many logistics advantages, excellent safety conditions and a smaller environmental impact.

The same concern has made Arkema one of the main partners of Modalohr, a trans-Alpine rail service. We account for over 10% of the goods carried.

In addition, suppliers are required to undergo audits based on the rating system specific to each mode of transportation: Safety Quality Assessment System (SQAS) for road transportation, Chemicals Distribution Institute (CDI) for maritime transportation and European Barge Inspection System (EBIS) for inland waterway transportation.

“Industrial safety is one of Arkema's core values and a key component of our strategy. Our goal is to provide the same level of safety at our plants to all individuals onsite. We accomplish this by employing standard procedures at our plants worldwide, whether in Asia, the United States or Europe.

Alain Devic, Executive Vice-President, Industrial Operations

Product stewardship

Making sure our products are safe for the environment and human health at every stage in their life cycle.



Affirming our commitment to sustainable chemistry

Arkema's endorsement of the International Council of Chemical Associations' (ICCA) Responsible Care® Global Charter on November 16, 2006 signals our desire to continue moving forward with our commitment to Responsible Care, initiated more than 15 years ago by the global chemical industry. In practical terms, this means a renewed emphasis on improving our performance in the areas of health, safety and environmental protection, stakeholder dialogue and product stewardship.

As Thierry Le Hénaff, our Chairman and Chief Executive Officer, points out:

“Arkema's dedication to continuing to build an innovative, fully responsible chemical business prompted us to sign the Responsible Care® Global Charter. We have to adjust to the needs, expectations and demands of current and future generations—that is what being a socially responsible chemical manufacturer means, that is the philosophy that underpins our sustainable development process.

Assessing risks at every stage in the product life cycle

Arkema takes care to market products that are safe, environmentally and health friendly, and useful to the community. Product stewardship means making sure products do not jeopardize human health and safety or the environment at any stage of their life cycle, including development, manufacturing plant design,

production, logistics, marketing, use and disposal. It is a proactive policy that requires the cooperation of all participants in the product chain, from raw material suppliers to carriers, retailers, sales and marketing, and end customers.

Arkema's toxicologists and ecotoxicologists continuously improve what we know about the properties of our chemicals. For years they have been working with other professionals through international High Production Volume (HPV) programs, either that of the International Council of Chemical Associations (ICCA) or of the U.S. Environmental Protection Agency (EPA). HPV programs thoroughly assess the risks associated with chemicals produced and marketed in large quantities. The assessments provide more information about inherent hazards and assess potential exposure levels during their life cycle. The goal is to eliminate all hazards for users.

REACH as an opportunity for improvement

Formally adopted on December 18, 2006 by the European Union's Council of Environment Ministers, the REACH Regulation will come into force on June 1, 2007.

Successfully implementing REACH

As the public voices legitimate expectations regarding health and environmental protection and concerns about the long-term impact of chemicals, Arkema sees REACH as another way of continuously improving what we know about our chemicals, their safe use and what



we may be able to do to restore the general public's faith in the chemical industry.

By leveraging the innovative capabilities of our R&D, we also plan to take advantage of the inevitable changes the implementation of REACH will bring to the chemical marketplace.

Dedicated resources

In preparation for the projected workload increase, our staff of toxicologists and ecotoxicologists is being expanded. Already compiled is a list of the substances we produce and import, verified existing information and identified gaps in data. This analysis is constantly being refined as our product lines evolve.

Initial discussions in a handful of industry associations and groups foreshadow the future "consortiums" that will prepare joint registration dossiers. REACH is based on sharing data, which means a single, joint dossier must be submitted for each substance by a lead registrant, with each manufacturer or importer involved submitting other information individually.

Arkema has a portfolio of some 430 substances, and 35 to 40 are expected to be subjected to the authorization procedure. The business units affected are incorporating this requirement into their strategy and substitution programs are under way. However, most of the work to be done now involves preparing registration dossiers, particularly for the 150 substances subject to the first deadline in November 2010.

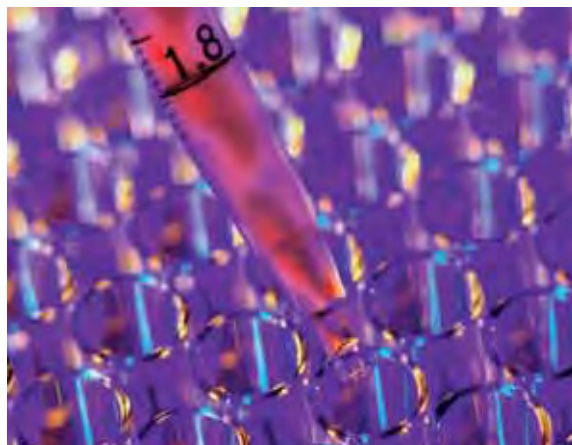
REACH's impact on Arkema

430
SUBSTANCES REQUIRING
A REGISTRATION DOSSIER

35 to 40
SUBSTANCES SUBJECT TO
THE AUTHORIZATION PROCEDURE

OVER 150
SUBSTANCES REQUIRING
REGISTRATION IN THE FIRST
THREE YEARS

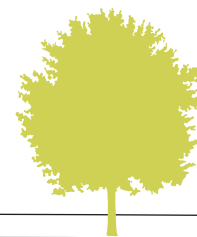
€60 MILLION
COMPLIANCE COST
BETWEEN 2007 AND 2018



REACH in brief

A registration dossier has to be prepared for each substance and submitted to the European Chemicals Agency (ECHA). The agency will monitor around 30,000 substances, evaluate registration dossiers with the help of E.U. members and grant authorizations. The authorization procedure targets so-called "highly problematic" substances, for which an authorization request must be submitted. An authorization is granted for a fixed period, providing the applicant has shown the hazards are properly managed and there are no economically viable alternatives.

Environmental stewardship



Reduce our environmental footprint, minimize our environmental impact, and conserve natural resources and energy.



Using residual volatile organic compounds for energy

The hydrazine production unit at the Lannemezan plant in southwestern France generated small amounts of light hydrocarbons (ethane and butene) from the volatile organic compound (VOC) family. The plant's Engineering Department chose a high-temperature thermal oxidation process to treat the VOCs and convert them to water and carbon dioxide. The solution's innovative feature is its use of these hydrocarbons as a secondary fuel, supplementing natural gas, to power the plant's generator, marrying environmental protection with energy conservation.

Reducing our environmental footprint

Environmental management systems, the bedrock of our continuous improvement process

Arkema's continuous improvement process is based on a corporate policy implemented at our industrial facilities and on the deployment of specific action plans.

To achieve a level of performance that exceeds the requirements of applicable regulations, Arkema has integrated environmental protection into our management system. Most of our plants have earned environmental certification, usually based on the ISO 14001 standard, chosen because it is an international benchmark. However, depending on the local situation, some sites have selected other standards, such as the Responsible Care Management System (RCMS).

Each Arkema plant uses a precise procedure to pinpoint its impact on local water, air, waste, noise, odors or soil, and establish its priorities for action. Regular environmental analyses track our progress and set new improvement targets. Each facility thoroughly and systematically monitors its discharges, emissions and waste. All environmental data are collected and compiled at the corporate level and published annually in this report.

Minimizing the environmental impact of industrial operations also means optimizing the use of natural resources, especially water, energy and raw materials. Our plants use only what water is necessary for their operations.

Energy efficiency is another core operating principle of our facilities. New production units factor energy man-

Arkema's Chinese plants focus on environmental stewardship

As in the rest of the world, Arkema's sites in China are working on shrinking their environmental footprint. Two examples are the Changshu factory, which makes fluoro derivatives, and the Guangzhou plant, which specializes in additives and catalysts. Changshu's hydrofluoric acid production unit uses selective collection and distillation of wastewater to recover sodium salts, which are recycled for use in offsite cement production. The treatment reduces sodium salt concentration in wastewater by almost 70%. Following a massive development effort, Guangzhou is recycling 65% of its process water, saving some 12,000 cubic meters of water a year. The goal is to eventually recycle all process water.





agement into their choice of processes and equipment from the design stage forward.

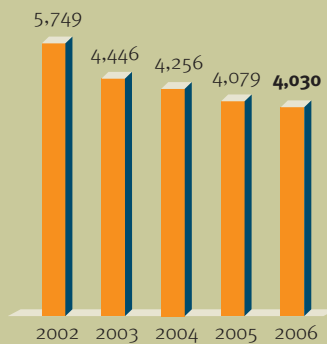
Continued reduction of emissions

Acting locally for a global impact

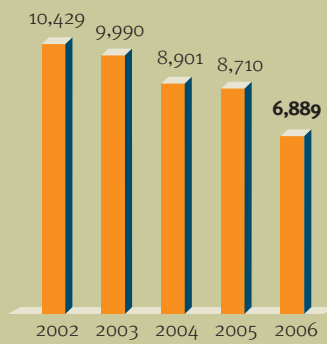
Concerned with maintaining water and air quality and mitigating climate change, Arkema pays special attention to three indicators: chemical oxygen demand (COD) in discharges to water, volatile organic compounds (VOC) and greenhouse gas emissions, especially carbon dioxide (CO₂) and hydrofluorocarbons (HFC).

Source reduction, improved processes, optimized effluent treatment, training, operator education and the installation of sophisticated continuous analysis devices have played a major part in reducing discharges to water and atmospheric emissions at our industrial facilities.

Reducing greenhouse gas emissions is another priority. As a major energy consumer, Arkema is constantly improving the energy efficiency of our installations. The in-house Arkenergy initiative raises employee awareness about the need to reduce waste and look for ways to conserve energy. Since 1990, the baseline year for the Kyoto Protocol establishing improvement targets for industrialized nations, we have cut greenhouse gas emissions by two-thirds. The increase in our emissions in the last two years has been driven by sharply higher production at one of our Asian plants, for which we are examining a major emissions abatement project.



Discharges to water
COD (metric tons)



Air emissions
of tropospheric ozone
precursors
(VOC—metric tons)

To pursue our efforts in an area so critical to the planet's future, Arkema joined other French companies in 2003 in making a voluntary commitment, through the *Association des Entreprises pour la Réduction de l'Effet de Serre* (AERES), to quantified targets for reducing greenhouse gas emissions over the period 2003-2007.



Reducing carbon emissions by conserving energy

Specialized in fluorochemicals, our Calvert City facility in the United States conducted an exhaustive review of potential energy savings across its steam network, from generators to distribution lines and points of use. The technical changes made and the joint education of operators and maintenance staff cut energy consumption and associated CO₂ emissions by more than 10%.

A human resources policy to support the changes at Arkema

Attract and retain talented, energetic people able to drive our growth.

Preparing Arkema's future with the help of the world's top talent

Arkema's recruiting policy aims to attract the most skilled people we can find to support our growth and development, by scouting junior and senior-level talent.

True to our core values of honesty, mutual support, performance and accountability, Arkema's recruiting efforts target applicants with an interest in other cultures, an ability to work well in teams, good interpersonal and problem-solving skills, and initiative.

In 2006, we recruited 657 permanent employees, of which 33% were managers. Women accounted for 26% of our new hires.

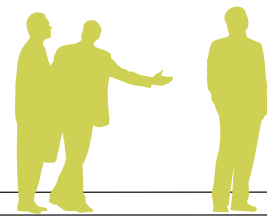
All of our global businesses took on new staff, and 57% of our new employees were hired outside France. Particular attention was paid to crafting an appropriate recruiting strategy in China, by cultivating special relationships with schools that provide education and training in the targeted occupations we need in this part of the world, such as maintenance and chemical engineering. Full-fledged employee retention plans were deployed, featuring discussions and interaction with headquarters in France, training and the introduction of an attractive compensation policy.

Zeroing in on the leading educational institutions

To target our recruiting effectively, Arkema's Human Resources Department nurtures special relationships with the leading educational institutions in our fields. For example, sponsorship initiatives are offered to *École Supérieure de Physique et Chimie Industrielle* (ESPCI) and *École Nationale Supérieure des Industries Chimiques de Nancy* (ENSIC). To optimize our recruitment of corporate support function personnel, we cultivate ongoing interaction with university-level business schools in France, especially *École Supérieure des Sciences Économiques et Commerciales* (ESSEC) and the ESCP-EAP European School of Management.

In the United States, Arkema Inc. hosts four to six engineering students from top U.S. schools each year, for five years of work experience at our plants, through the *Developing Engineer Program*. The program helps attract the best professionals in all of the company's fields.





Each year we also offer many internship, Ph.D. and co-op opportunities, an excellent means of developing talent in real-world situations.

Pooling skills through international mobility

Arkema offers young managers the option of working abroad for several years, to learn about other practices in their field and enhance their careers. After gaining two to three years of experience, they return to their home countries, steeped in different cultures and ready to share all the new skills they have acquired.

Another program, called *Training Exposure*, offers selected Arkema employees an opportunity to broaden their knowledge at one of 80 facilities worldwide through a three to six-month immersion learning experience. This program taps into the diversity of skills available at Arkema and benefits the employee being trained and the host department.

Upgrading skills and fostering a shared culture

Giving employees the skills and resources they need to help drive technological, social and economic change is a major focus of our training. Accordingly, much of our training in 2006 dealt with safety, the environment and industrial reliability, reflecting our values and strategy.

Arkema's training solutions strive to promote cultural exchange and bring employees together through

opportunities to share experiences. New hires participate in orientation seminars offered globally, giving them a chance to learn more about our organization and businesses in a setting that is conducive to sharing a common culture in our different host countries.

The *Arkema Management Way* seminar allows team managers to embrace our core values—mutual support, honesty, performance and accountability—and teaches them the management model we have developed to nurture these values. This enables them to adjust their behavior and that of their employees to the challenges specific to their company or operation.

One-day employee dialogue management seminars were rolled out in 2006 and are held regionally for supervisory personnel at all of our French production facilities.



Applying for jobs via the Internet

To facilitate application procedures and standardize our hiring processes, we have created an efficient, innovative, Web-enabled resource. Interactive, lively and informative, the site is used by all our operations worldwide and can be accessed via the Human Resources section at www.arkema.com. It is increasingly popular, accounting for almost 50% of applications.

Employee relations and consensus-building

To meet the challenges of a constantly-changing chemical industry and enhance our competitiveness, Arkema nurtures trust-based relationships and dialogue with employee representatives.

Plans to encourage employee savings and stock ownership

Employees of Arkema companies in France can contribute to Arkema's employee savings plan, which includes a company matching feature designed to encourage initial savings. Plan A is reserved for share issues offered exclusively to Arkema employees in France and the rest of the world.

Constructive dialogue with all employee representatives

In France, Arkema's contract-based employee relations policy led to the signature in 2006 of a number of agreements covering a variety of issues, including the employee savings plan, employee representation and union rights.

Arkema France, an Arkema SA subsidiary comprising most of our businesses in France, signed 12 agreements in 2006, nine with the full complement of labor organizations. The main ones concerned the term and re-election of Works Council members and personnel

delegates, an amendment to the agreement on standardizing compensation systems, a voluntary early retirement plan funded by Arkema for employees affected by the closure of our Villers-Saint-Paul plant in France, Arkema France's membership in the Arkema Group employee savings plan, and a framework for early retirement provisions financed by Arkema France. In addition, the wage agreement for 2007 was signed in December 2006.

In other host countries, Arkema and our subsidiaries tailor employee dialogue to the specific national laws and practices governing employee representation and relations between management and employees.

In Europe, an agreement creating a European Works Council was negotiated and ratified by the biggest unions at the Company.

Helping employees weather changes at Arkema

In 2006, concurrent with key expansion projects, we introduced a number of adjustment plans to enhance our competitiveness in France and restructured several operations, particularly in the United States. Procedures for informing and consulting employee representation organizations at the corporate or local level provided many opportunities for discussion concerning the plans.

Arkema France presented several closure plans to its Central Works Council, striving in each case to suggest solutions for all employees affected by job cuts. Cases covered include the closure of the Villers-Saint-Paul





facility, changes at the Rilsan® polyamide powder production units in Serquigny, the closure of the Loison plant, changes at headquarters, and the shutdown of production at the Pierrefitte-Nestalas facility owned by our subsidiary CECA.

For example, 41 employees from the Villers-Saint-Paul plant opted for early retirement, while another 43 benefited from the worker adjustment program's measures to arrange transfers or provide help with starting or buying a business. Only nine of 93 people whose jobs were cut still require help.

No layoffs are expected as a result of the plan to revamp the Rilsan® polyamide powder production units in Serquigny, which eliminates 37 jobs, as there are alternate positions for everyone on site.

Thirty-five of the 57 employees affected by the closure of the Loison plant, announced in November 2006, had already found a solution as of the first quarter of 2007.

Arkema announced 130 jobs cuts and 102 regional transfers as a result of the November 2006 plan to restructure our headquarters. An employment office set up in early 2007 should soon find outplacement or transfer solutions for all employees affected by job cuts or transfers to another region.

Announced in 2005, the restructuring of the Riverview plant in the United States resulted in the closure of the alkylamine and sulfonyl units and the elimination of 60 jobs in late 2006. The Functional Additives business unit announced it was halting tin-based catalyst production at the Mobile, Alabama, facility and clustering those operations at the Carrollton site.



A solid benefits package, in line with local practices

Arkema strives to offer our employees a solid, cost-competitive benefits package, in line with each country's standards. In France, we updated our insurance plan, maintaining high benefit levels. In the Netherlands and United States, employee interests were protected while bringing retirement plans in line with regulatory changes. To support our growth in China and retain our employees there, Arkema created the Special Benefit Scheme, which offers an education allowance for children and a savings plan with a company matching feature.

A chemical producer interested in what the world around us thinks

Strengthen relationships with all stakeholders, to take into account the legitimate expectations of society, especially the people working and living near our production facilities.

Common Ground®, building and maintaining trust through listening and dialogue

Arkema products are a common part of everyday life, although more often than not they go unrecognized. Consumers are usually unaware of our products' nature and origin, of the improvements and comfort that their applications make possible and of how our production plants work.

To improve familiarity with our activities and with the economic and social purposes and functions of our products, we launched the Common Ground® dialogue and outreach initiative in 2002. Its purpose is to help us strengthen and formally organize the relationships we have established over the last several years with different community partners, including elected officials, people living and working near our plants, public authorities, associations and schools.

Common Ground® was designed to provide us with opportunities to listen to and understand stakeholder

expectations, build lasting trust-based relationships with local communities and open our plants to people interested in learning more about our industry.

Initially launched in France, Common Ground® has been gradually extended to all our host countries through our subsidiaries. Cascaded first in Germany, Italy and Spain, it is now being deployed in China and the United States.

Arkema and the French Red Cross partner to teach life-saving techniques

Arkema's first aid training partnership with the French Red Cross signals our strong commitment to contributing to civic life and building on the Common Ground® initiative. With less than 10% of its population trained in first aid, France trails far behind most other European Union countries. Doubling the number of trained first aiders would save almost 10,000 lives a year.

What makes the partnership between Arkema and the Red Cross so unique is that our courses are open to

terreno d'intesa®

common ground®

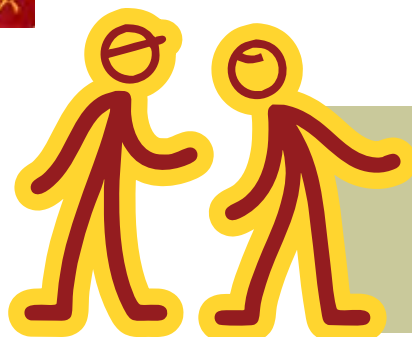
terrains d'entente®

samen leven®

einander verstehen®

lugares de encuentro®

common ground 共识®



Common Ground®, a global initiative

Arkema's El Chapo organic peroxide production plant in Mexico broke new ground in its host district of Ixhuatlan del Sureste by holding several open houses to give neighbors an inside peek at its operations. Working with local authorities, the plant's management also got involved in renovating the town's elementary school, which has sent many students to tour the plant.



people from outside the company, living or working near our plants, who learn side by side with Arkema employees. To maximize effectiveness, classes are no bigger than 10 people. Instructors from Red Cross departmental centers teach a course designed specifically for Arkema, whose plants handle the organizational details.

The stated goal of the partnership is to educate 5,000 people over a two-year period. Phased in during 2006 at our headquarters and in our French plants and subsidiaries, the training courses have already reached around 1,100 people, nearly half from outside the company. We owe special thanks to the schools near several of our sites that have been so helpful in supporting this initiative.

Reckoning with the ripple effect of change

Like most other manufacturers, chemical producers operate in a business and regulatory environment that dictates constant changes to activities and products. In response, we have to adapt our production base while doing our best to alleviate the community impact of necessary plant changes, by supporting employees affected by job cuts and by revitalizing local employment.

Initiated in early 2005, Vinyl Products' consolidation plan spawned a worker adjustment program for 524 people, most working at four plants. As of March 1, 2007, 521 had settled on a solution involving either early retirement, a transfer inside Arkema, outplacement or starting their own business.



At the hardest-hit facility, Saint-Auban in southeastern France, an economic revitalization agreement with significant funding helped create 630 jobs—exceeding the initial target of 560—and launched a major industrial project.

We also surpassed our commitments when we helped to create 100 jobs near Dieuze in eastern France and 229 near Brignoud in southeastern France, where two of our plants were recently shut down.

Revitalization agreements are being prepared for the areas around our Villers Saint-Paul and Loison sites, both in northern France, where closures were announced in 2006. Around 60 jobs are expected to be created.

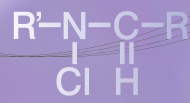
Appendixes

- Simplified financial statements
- Environmental reporting methodology
- Arkema environmental data verification statement
- Environmental indicators





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Simplified financial statements

Balance sheet ⁽¹⁾

(€ millions)	12/31/2005 Pro forma	12/31/2006 Consolidated
Assets		
Intangible assets, net	247	236
Property, plant and equipment, net	1,322	1,376
Associates: investments and loans	112	100
Other investments	22	21
Deferred income tax assets	58	32
Other non-current assets	112	125
Total non-current assets	1,873	1,890
Inventories	1,124	1,036
Accounts receivable	1,199	1,051
Prepaid expenses and other current assets	370	213
Income taxes recoverable	31	36
Cash and cash equivalents	67	171
Total assets of discontinued operations	-	144
Total current assets	2,791	2,651
Total assets	4,664	4,541
Liabilities and shareholders' equity		
Share capital	-	605
Paid-in surplus and retained earnings	1,366	1,345
Cumulative translation adjustment	83	(27)
Treasury shares	-	-
Shareholders' equity – Group share	1,449	1,923
Minority interests	14	15
Total shareholders' equity	1,463	1,938
Deferred income tax liabilities	8	14
Provisions	1,126	855
Non-current debt	59	52
Total non-current liabilities	1,193	921
Accounts payable	861	786
Other creditors and accrued liabilities	544	369
Income taxes payable	28	14
Current debt	575	443
Total liabilities of discontinued operations	-	69
Total current liabilities	2,008	1,681
Total liabilities and shareholders' equity	4,664	4,541

(1) Cerexagri's assets and liabilities are reported under "Total assets of discontinued operations" and "Total liabilities of discontinued operations" in 2006.

Income statement^(a)

(€ millions)	End of December 2005 Pro forma (unaudited)	End of December 2006 Consolidated
Sales	5,515	5,664
Operating expenses	(4,783)	(4,879)
Research and development expenses	(176)	(168)
Selling and administrative expenses	(431)	(417)
Recurring operating income	125	200
Other income and expenses	(496)	(92)
Operating income	(374)	108
Equity in income of affiliates	7	1
Cost of debt	(7)	(10)
Income taxes	(39)	(59)
Net income of continuing operations	(410)	40
Net income of discontinued operations	(18)	7
Net income	(428)	47
of which minority interests	(1)	2
Net income - Group share	(427)	45
Earnings per share (in euros)	(7.05)	0.75
Diluted earnings per share (euros)	(7.05)	0.75
Depreciation and amortization	(222)	(211)
Recurring EBITDA	347	411

(a) Pursuant to the divestiture of the Agrochemical business unit (Cerexagri) on February 1, 2007, it was reclassified under "discontinued operations" in 2005 and 2006.

Cash flow statement

(€ millions)	End of December 2005 Pro forma	End of December 2006 Consolidated
Cash flow – operating activities		
Net income	(428)	47
Depreciation, amortization and impairment of assets	437	218
Provisions, valuation allowances and deferred taxes	96	(210)
(Gains)/losses on sales of assets	(1)	(5)
Undistributed affiliate equity earnings	(3)	(1)
Change in working capital	(147)	16
Other changes	-	3
Cash flow from operating activities	(46)	68
Cash flow – investing activities		
Intangible assets and property, plant and equipment, additions	(333)	(336)
Acquisitions of consolidated subsidiaries, net of cash acquired	(3)	(7)
Increase in long-term loans	(22)	(59)
Total expenditures	(358)	(402)
Proceeds from sale of intangible assets and property, plant and equipment	6	6
Proceeds from sale of subsidiaries, net of cash sold	-	0
Proceeds from sale of other investments	1	10
Repayment of long-term loans	28	38
Total divestitures	35	54
Cash flow from investing activities	(323)	(348)
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	(4)	(6)
Increase in short-term borrowings and bank overdrafts	353	-
Decrease in short-term borrowings and bank overdrafts	-	(130)
Cash flow from financing activities	349	395
Net increase/(decrease) in cash and cash equivalents	(21)	115
Effect of exchange rates and changes in scope	11	(18)
Cash and cash equivalents at beginning of period	77	67
Cash and cash equivalents of discontinued operations at end of period	-	(14)
Short-term loan to discontinued operations	-	20
Cash and cash equivalents at end of period	67	171

Environmental reporting methodology

The indicators published in this report track performance on the primary environmental issues raised by Arkema's operations. They are based on annual data, from January 1 to December 31, for the years 2004, 2005 and 2006.

Scope

The environmental data in this report concern all of the facilities operated worldwide by Arkema or one of its subsidiaries, regardless of the equity held in the facilities in question, to the extent that Arkema has the authority to implement its health, safety and environmental policies and guidelines.

Historical data have not been adjusted for changes in scope of consolidation.

Methodology

- To avoid duplication, only direct emissions from facilities or installations operated by Arkema are included.
- In order to gauge the true environmental impact of discharges to water, data refer to discharges from treatment facilities.
- Discharge to water flows are indicated as additional flows, since pre-existing pollutants in the water sampled are not included in facility discharge figures. This rule applies only for samples and discharges from the same environment.
- The diversity of analytical methods and regulations in force in various countries makes it difficult to consolidate global data for the discharge of organic matter into water. Of the two criteria commonly used to measure organic matter—Total Organic Carbon (TOC) and Chemical Oxygen Demand (COD)—this report uses COD. For plants that measure only TOC, a default COD/TOC ratio of three was applied. This coefficient was used in the European Commission's decision establishing the European Pollutant Emission Register (EPER) and in the December 24, 2002 French ministerial order, as amended, concerning the

annual pollutant emissions filing of environmentally-sensitive facilities subject to authorization.

- Global consolidation of air emissions data is also problematic in the case of non-methane volatile organic compounds (NM-VOC). The definition of what constitutes an NM-VOC varies by country, and especially between the United States and the European Union. This report uses the definition in the Council Directive of March 11, 1999.
- Waste incinerated using company facilities, whether onsite or off, is counted as onsite incineration. This applies even if the waste was physically moved from one Arkema facility to another for incineration.

External Verification

The application of reporting procedures to a selection of environmental indicators was verified by outside verifier Bureau Veritas Certification. Its verification statement is reprinted on page 59 of this report.

Environmental data verification statement Arkema

Arkema asked Bureau Veritas Certification France, independent verification body, to verify some of its environmental data for 2006 fiscal year.

This verification aimed to assess the reliability of this data.

The verification field covered:

- Chemical Oxygen Demand: COD,
- Volatile Organic Compounds: VOC,
- Greenhouse gases (GHG): CO₂ (carbon dioxide), CH₄ (methane), HFC (hydrofluorocarbons), PFC (perfluorocarbons), N₂O (nitrous oxide) and SF₆ (sulphur hexafluoride).

Bureau Veritas Certification declares that this statement, based on the results of its verification works, gives its own opinion. Bureau Veritas Certification commercial interests concern only this third party verification.

The data was prepared under the responsibility of the Sustainable Development Division in accordance with the Arkema Corporate Procedure "HSE Directive – Reference D-Eo1 / issue 05 12 06".

We have performed following tasks in order to verify the data is reliable and free from significant error:

Head Office Audit:

- Understanding of the scope concerned, which corresponds to the sites operated by Arkema,
- Assessment of the Corporate Reporting Procedures based on relevance and reliability criteria,
- Validation that the data reported by the sites are correctly considered for the global consolidation by the Sustainable Development Division.

Sampled sites Audit:

- Verification that the Corporate Reporting rules and local rules are respected,

- Interview of the staff involved in the process of collecting and handling data, until the final calculation of the environmental indicator for year 2006,
- Understanding and audit of the organizational and technical specificities of the sampled sites: arrangements used to monitor the 3 environmental indicators [process, treatment equipment for liquid releases (COD) and atmospheric releases (VOC and GHG)].

On site audits allowed us to verify in situ the equipment and the respect of the arrangements "declared". Those sites were sampled in France, Spain, Italy, China and United States. Their contribution to the global data is listed below:

COD: 23.4%

VOC: 28.8%

GHG: 79.4%

The data of the other sites was verified in a centralized way.

Comments on this verification:

- Awareness and training to the REED Reporting Tool must be maintained for the European sites and must be reinforced for the non-European sites.
- The deployment of the local reporting procedures which define the details and the roles but also the responsibilities for the reporting process must be pursued.
- Concerning COD indicator, the reduction factors that must be applied when the liquid release is connected to an urban sewage treatment station, must be specified. The awareness to those practices which depend on the treatment scheme must be strengthened.

Amounts verified for 2006:

COD: 4,030 tons of O₂

VOC: 6,889 tons

GHG: 9,581,011 tons equivalent CO₂



Paris, the 27th March 2007
BUREAU VERITAS Certification France
Romain PETIT
Managing Director

Environmental indicators

Emissions to air

	2004	2005	2006
Volatile organic compounds - VOC (metric tons)	8,901	8,710	6,889
Total emissions of acidifying substances (metric tons SO ₂ equivalent)	7,327	7,342	8,330
Greenhouse gases (metric TCDE)	6,810,340	8,305,468	9,581,011
Dust (metric tons)	307	337	474
CO (metric tons)	9,213	9,425	9,230
Metals: Zn + Cu+ Ni (metric tons)	10.24	10.38	0.9
Heavy metals: As + Cd + Cr +Hg +Pb+ Sb (metric tons)	0.64	0.86	0.5

Greenhouse gas emissions (Kyoto Protocol) in metric TCDE

CO ₂	2,019,980	2,042,353	1,796,365
N ₂ O	41,808	22,602	33,134
CH ₄	51,466	29,342	22,713
HFC	4,697,086	6,211,171	7,728,799
PFC and SF ₆	0	0	0
Total greenhouse gases	6,810,340	8,305,468	9,581,011

Emissions of acidifying substances (emissions to air)

SO ₂ (metric tons SO ₂ equivalent)	4,512	4,413	5,757
NO _x (metric tons NO ₂ equivalent)	2,871	3,063	2,704
NH ₃ (metric tons)	429	418	363
Total (metric tons SO₂ equivalent)	7,327	7,342	8,332

Tropospheric ozone precursors (emissions to air) – VOC in metric tons

Alkanes, cycloalkanes	1,035	878	795
Olefins	1,504	1,320	721
Aromatic substances	602	550	503
Oxygenated compounds	1,085	1,172	985
Halogenated compounds	3,459	3,510	2,791
Other VOCs	1,216	1,280	1,093
Total NM-VOC	8,901	8,710	6,889

Discharges to water

COD (metric tons of O ₂)	4,256	4,079	4,030
Suspended solids (metric tons)	4,660	5,954	6,675
Metals: Zn+ Cu+ Ni (metric tons)	7.11	8.77	14.5
Heavy metals: As + Cd + Cr +Hg +Pb+ Sb (metric tons)	2.46	2.77	0.9

Waste in metric tons/year

Total hazardous waste	199,468	202,896	237,545
Landfilled offsite	7,476	2,795	9,479
Incinerated onsite	116,073	97,738	101,426
Incinerated offsite	39,741	30,235	29,835
Material recycled onsite	NA	799	664
Material recycled offsite	NA	41,538	36,171
Treated onsite using another process	8,093	2,198	1,708
Treated offsite using another process	28,085	19,520	58,262
Special hazardous waste	NA	8,073	NA
Hazardous waste excluding recycled material	199,468	160,559	200,710
Non-hazardous waste	81,638	75,926	91,686
Special non-hazardous waste	NA	11,533	NA
Total waste produced	281,106	290,355	329,231

This report was produced by the External Communications Department, the Investor Relations Department, the Sustainable Development, Environment and Product Safety Department and the Industrial Safety Department, in cooperation with Arkema's facilities, business units and subsidiaries.

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D. Souse, M. Dufour, W. Van Nueten, Corbis, Aixam, H. Gruyaert.
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