



2006 MID YEAR REVIEW

Paris, September 13th, 2006

Build a strong company

Creation of
Arkema

Prepare for independence

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

Spin off

Restore profitability

- Strong emphasis on productivity
- Focus on profitable growth

2008

Establish a
competitive
and growing
chemical player

Improve free cash generation

*10 to 15% EBITDA growth per year**

Accelerate pace of change

October 2004

May 2006



Where we stand today

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

“ Pro-active and pragmatic ”

2Q 2006 financials

“ A good start after spin off ”

A robust second quarter 2006

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

“ **First impact of productivity initiatives** ”

2Q 2006 key figures

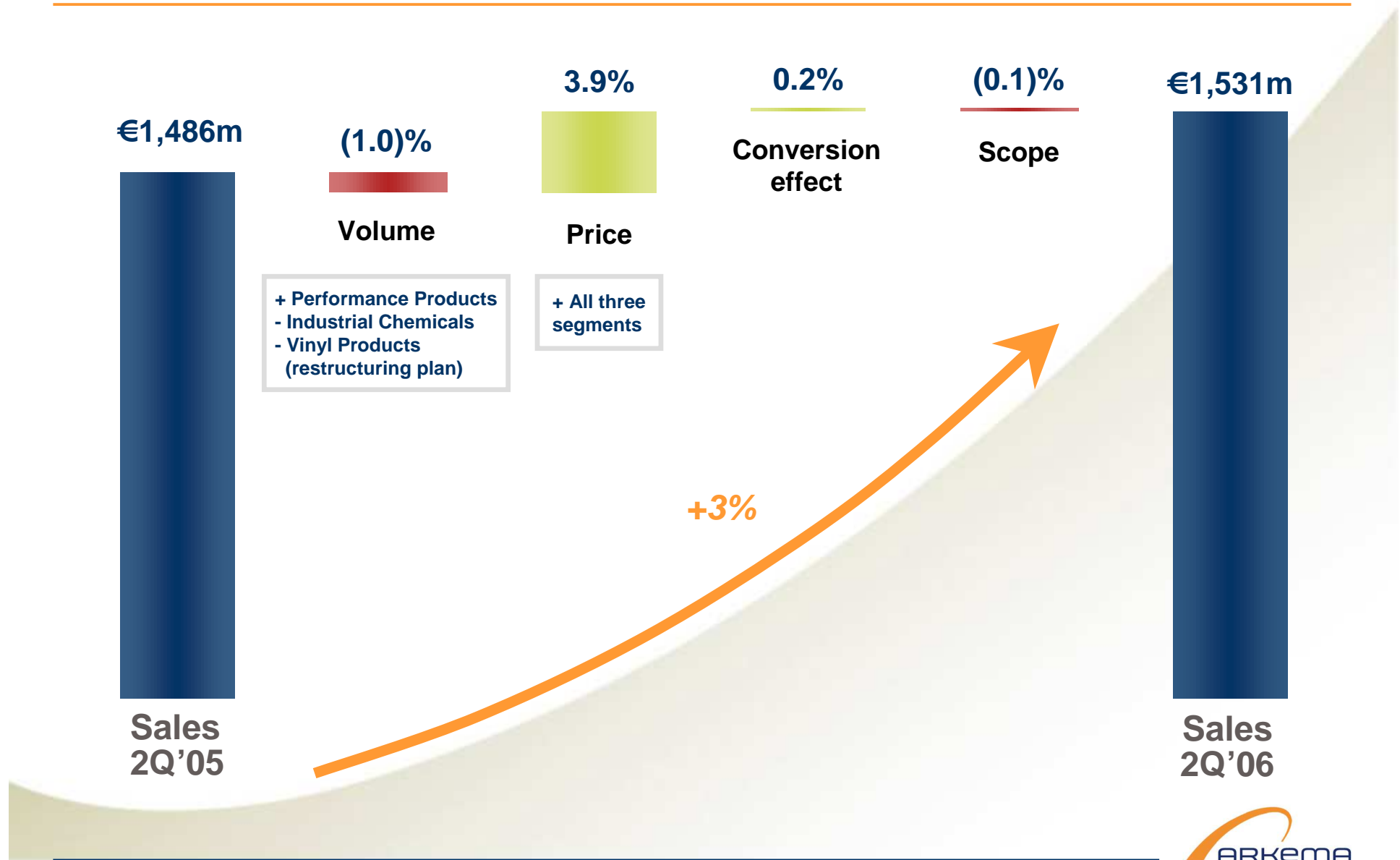
In €m	2Q'05	2Q'06	Variation*	1Q'06
Sales	1,486	1,531	3.0%	1,545
EBITDA (recurring)	126	131	4.0%	117
<i>EBITDA margin</i>	8.5%	8.6%		7.6%
Operating income (rec.)	70	76	8.6%	61
<i>Operating income margin</i>	4.7%	5.0%		3.9%
Operating income	53	58	9.4%	39
Net income** - Group share	33	28	(15.2)%	9

*2Q'06 vs 2Q'05

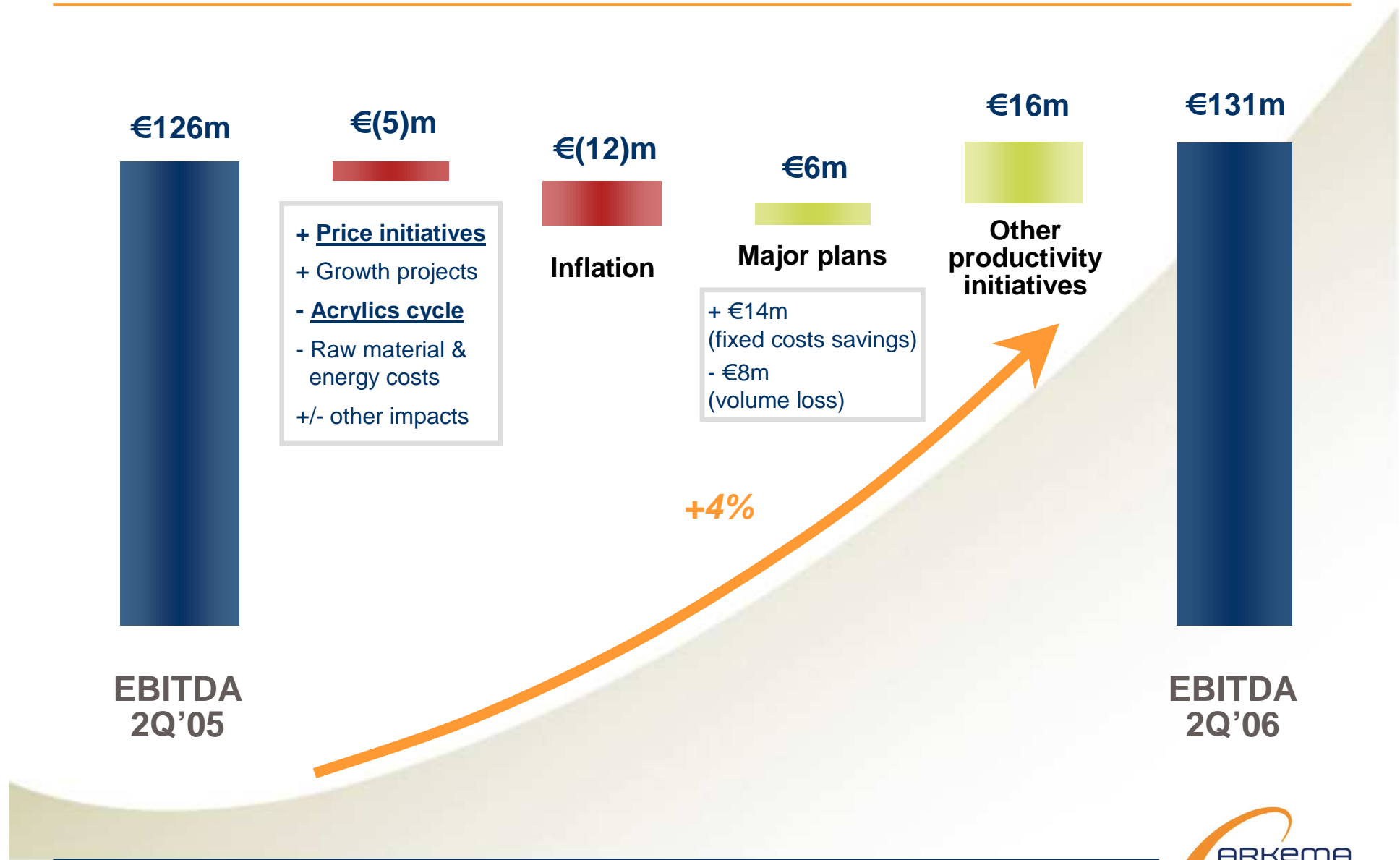
**Decrease in net income related to an increase of income tax



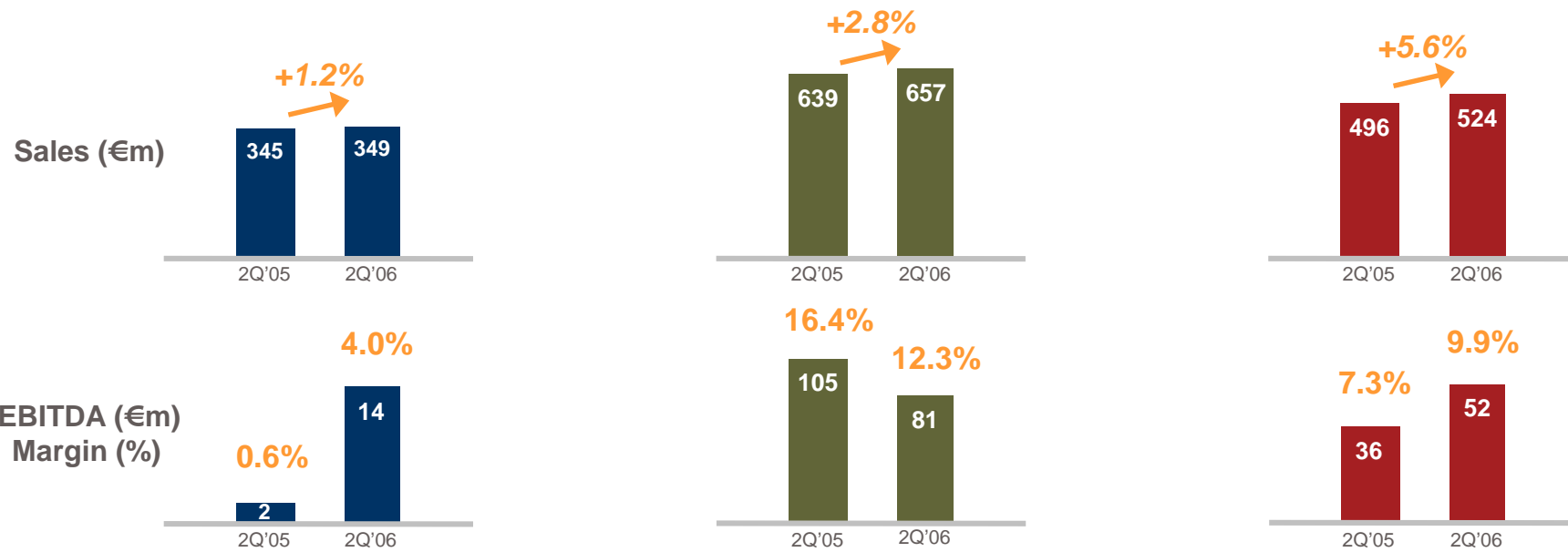
Sales growth supported by price increases



Strong impact of productivity programs



Strong improvement of Performance Products



Vinyl Products

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

Industrial Chemicals

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

Performance Products

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



1H 2006 review

« On target »

1H 2006 highlights

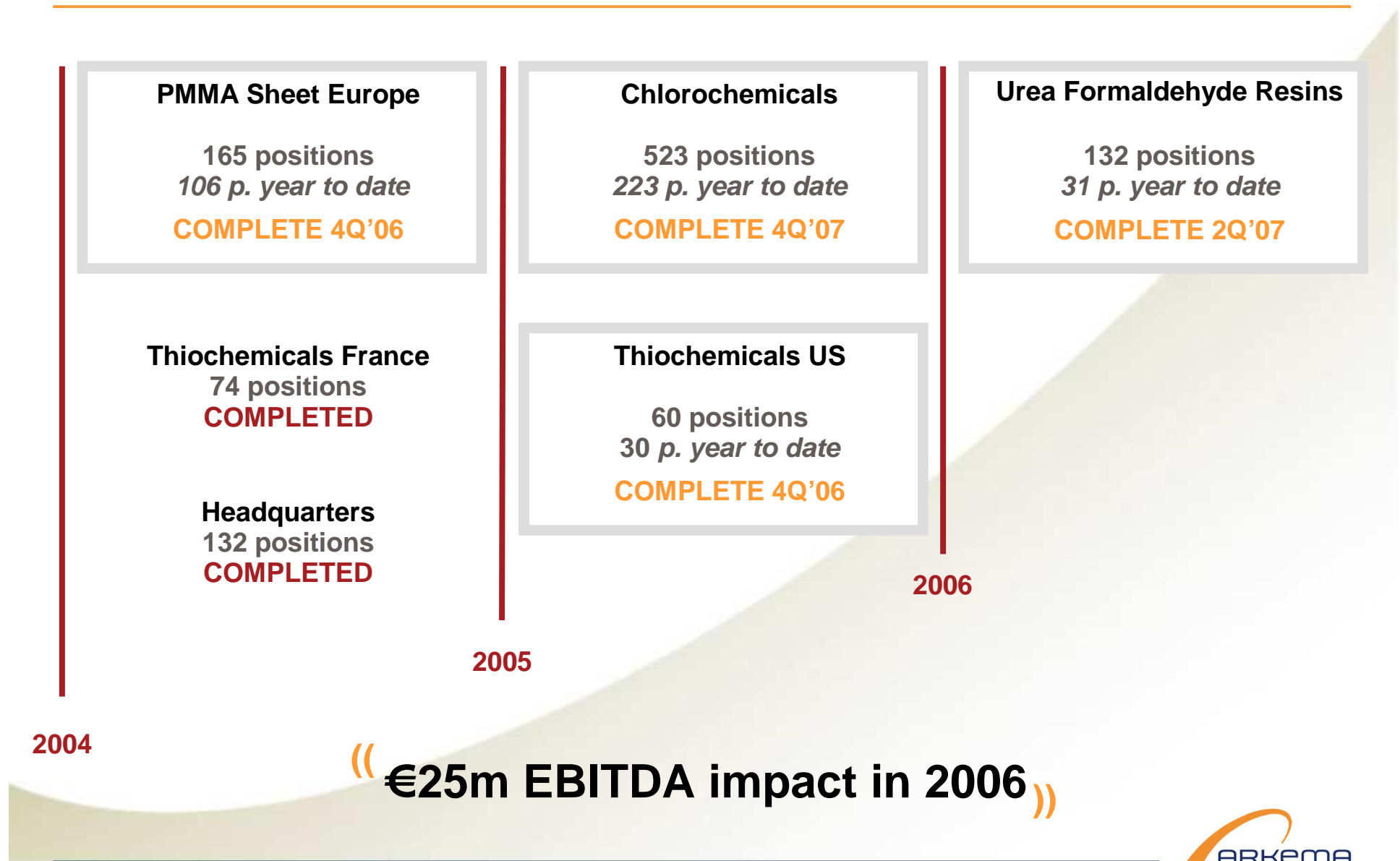
GLOBAL ECONOMIC ENVIRONMENT

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

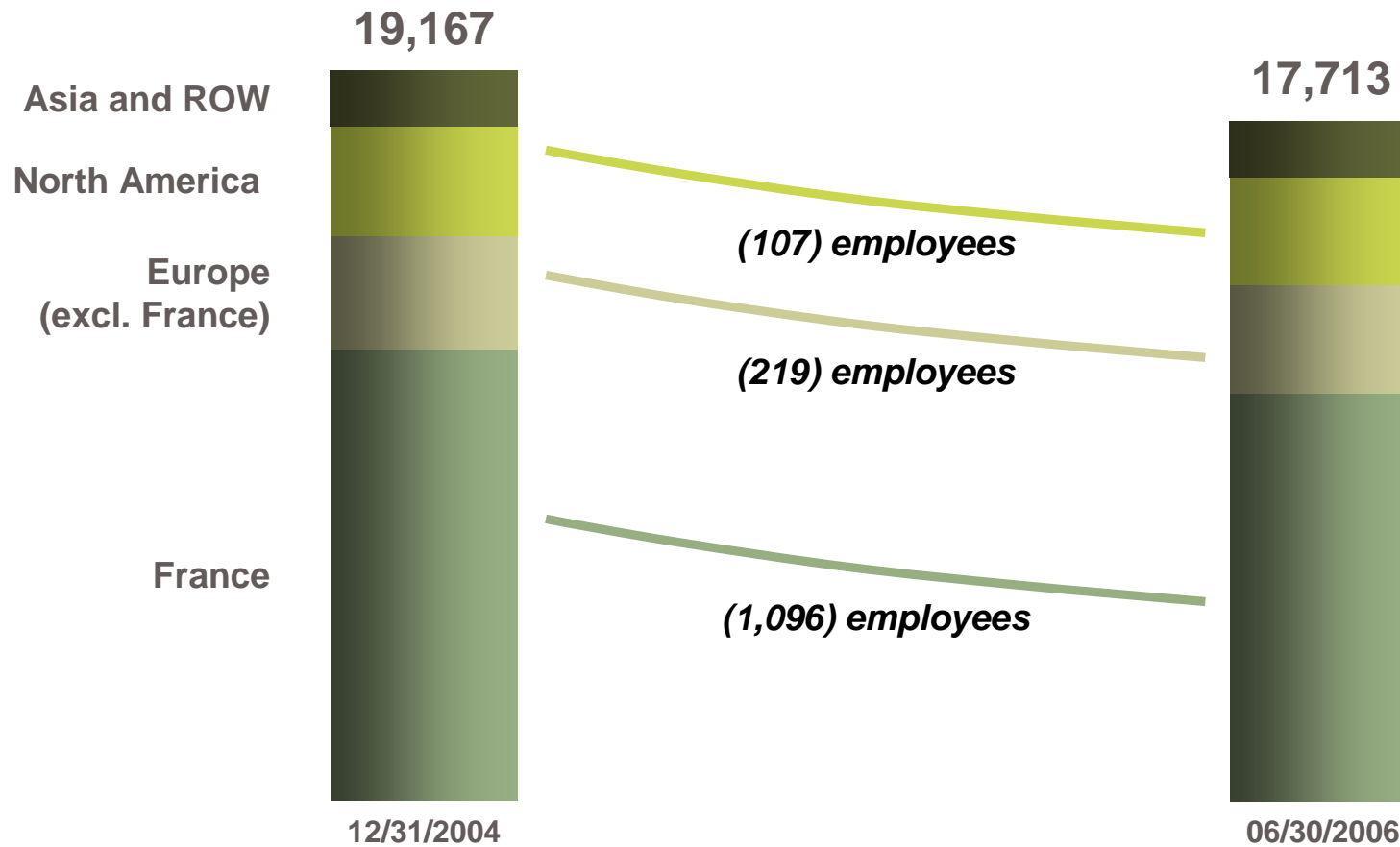
ARKEMA'S HIGHLIGHTS

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

6 major restructuring plans on track



Evolution of headcount since creation



“nearly half related to the 6 major plans”

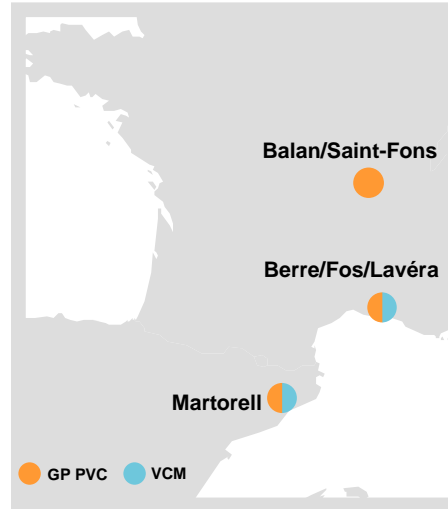


Vinyl Products: competitive assets at end of plan

VCM sites*



- Lavéra**
- 525 Kt capacity
 - 3rd largest site in Europe
- Fos****
- 415 Kt capacity
 - 5th largest site in Europe

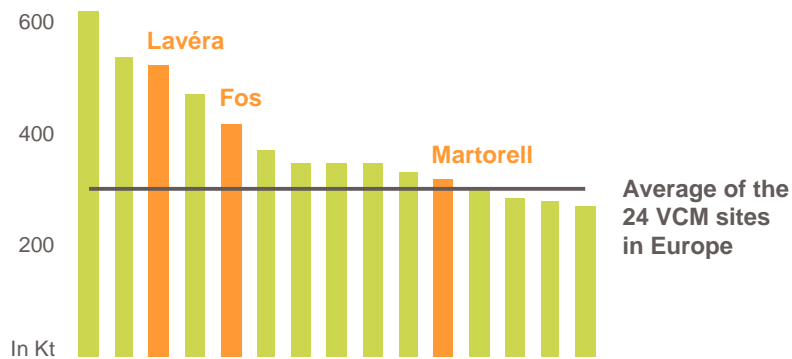


General Purpose PVC sites*



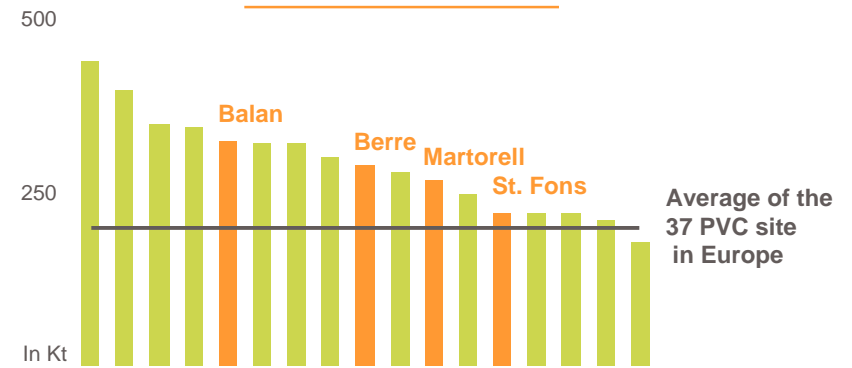
- Balan**
- 325 Kt capacity
 - 5th largest site in Europe
- Berre****
- 290 Kt capacity
 - 9th largest site in Europe

VCM Production Capacities**



Sources: CMAI and Arkema

PVC Production Capacities**



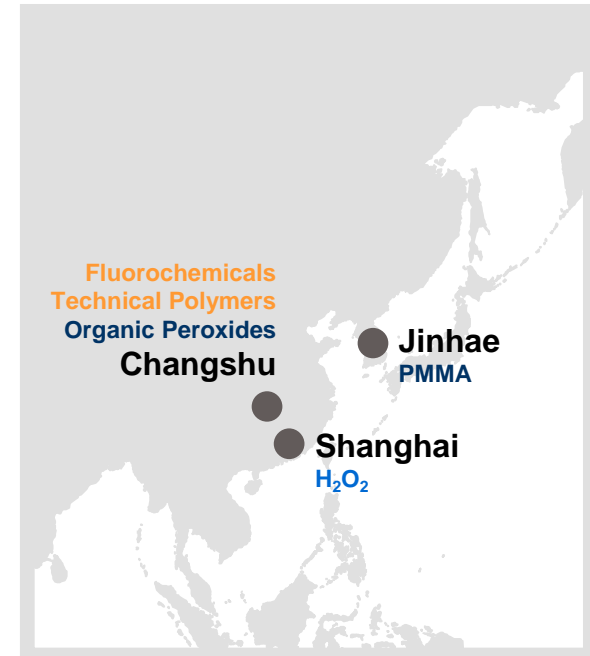
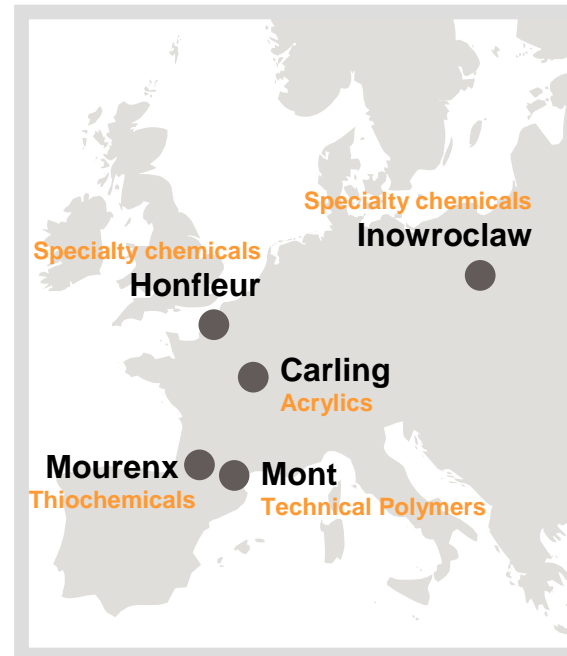
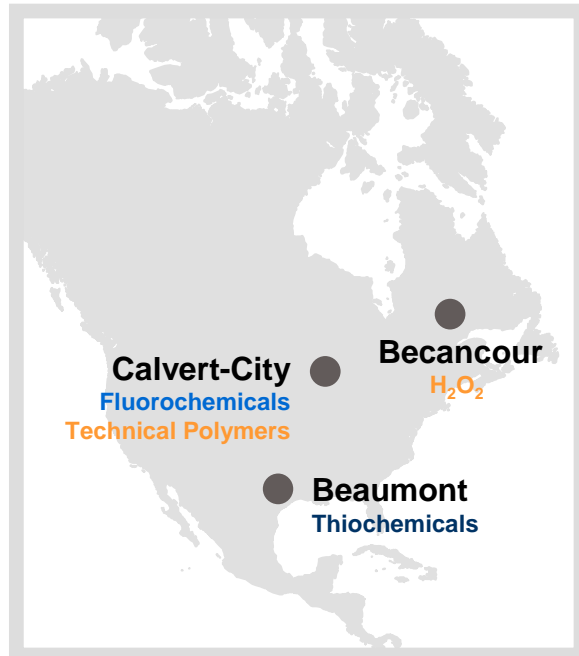
Sources: CMAI and Arkema



* Not including St Auban (only Specialty PVC) and Jarrie (Chlorine Intermediates). Details of the plan in appendix.

** Joint ventures: Fos (Arkema: 79%, Solvin: 21%), Berre (Arkema: 65%, Solvin: 35%), Martorell (Arkema: 35%, Solvin: 65%)

Pursue development focused on strong lines



Started Debottlenecking Major extension

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

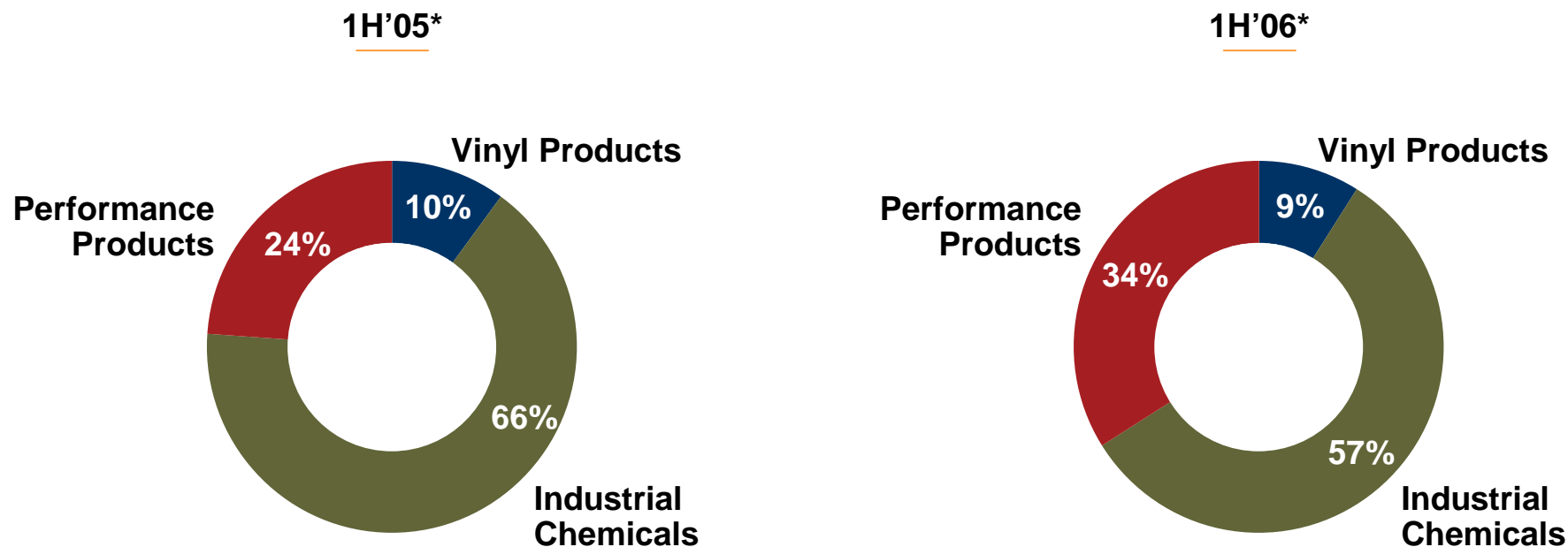
1H 2006 key figures

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

“ Positive net income ”



More balanced EBITDA across segments



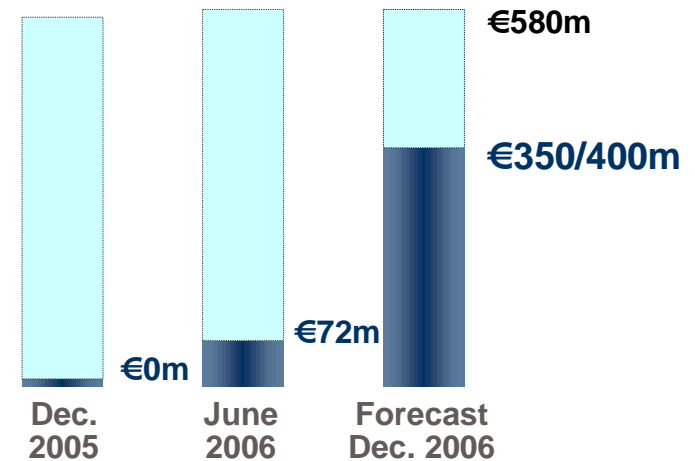
- Improved profitability of Performance Products segment
- Solid performance of Industrial Chemicals despite declining unit margin in Acrylics
- Impact of Vinyl Products restructuring plan still limited



Initial net debt negotiated with Total

567	Net debt as of 12/31/05
580	Pre-spin off NR items*
	<ul style="list-style-type: none"> • €435m covered by provisions • €45m 2006 NR items • €100m Vinyl Plan Capex
(532)	Capital increase by Total before spin off
615	“Negotiated” net debt
1,995	Equity
	<i>In €m</i>

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



“Initial gearing at 30 %”



1H 2006 free cash flow

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

“ Impacts of working capital seasonality
and pre-spin off items ”



2006 outlook

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

2006 priority

“Reshape the Performance Products segment”

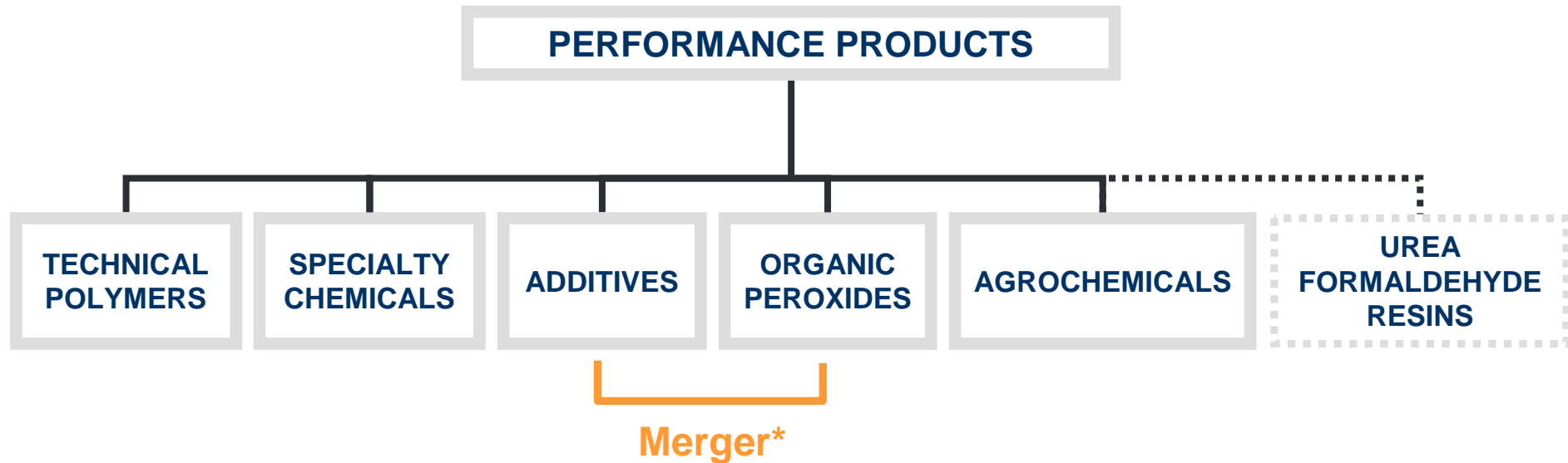
Productivity measures already launched in 1H 2006

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

“ **Additional restructuring provisions of €30m**
Full EBITDA impact in 2008: €13m ”



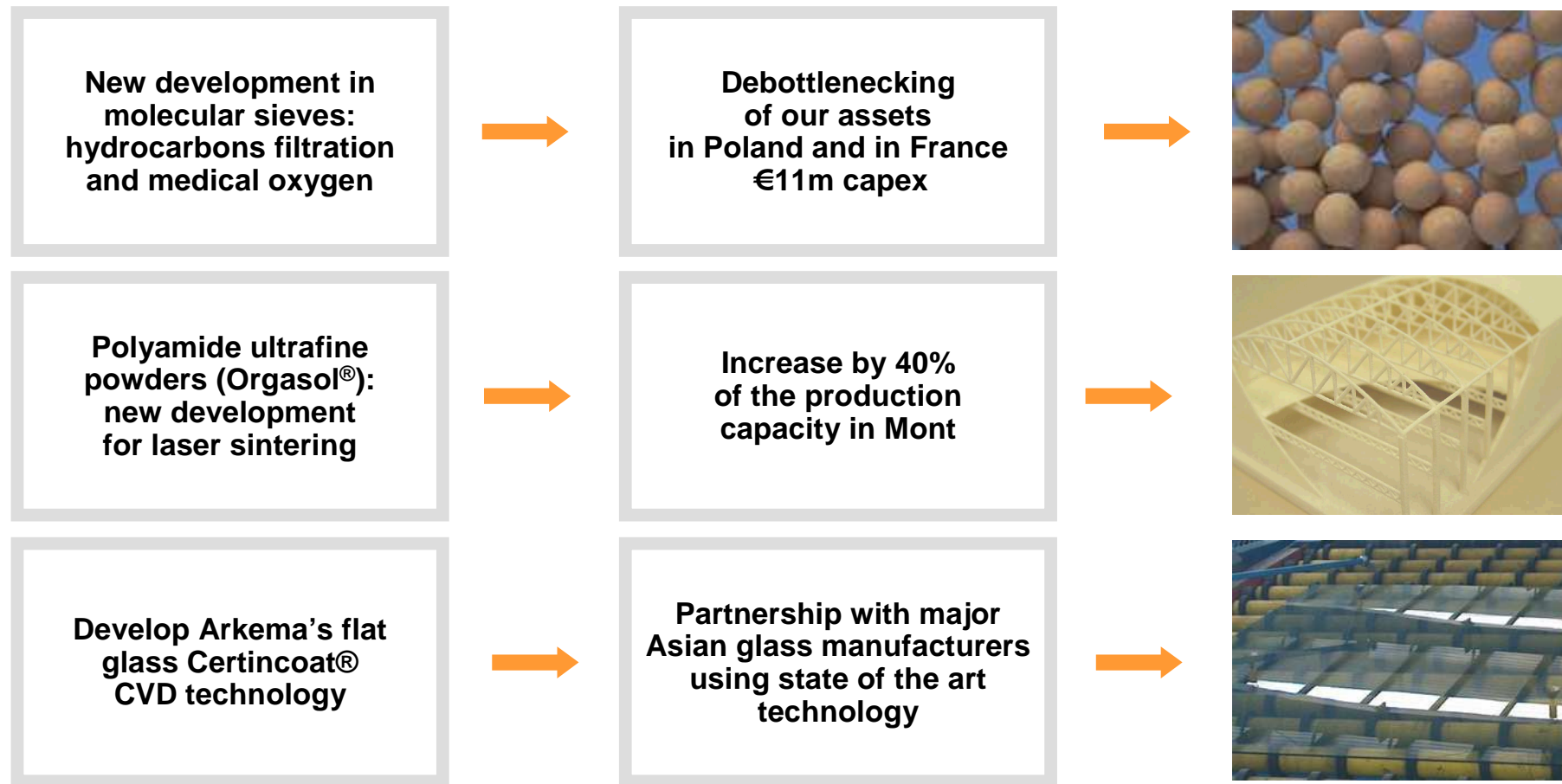
New initiatives in 2H 2006



- Common end-markets
 - Synergies in:
 - SG&A
 - R&D (nanotechnologies)
 - Target of SG&A savings: €5m
 - Implementation: 1st Jan. 2007
 - Manufacturing productivity
- Plan to divest the remaining plant in Leuna (Germany)



Tangible outcome from R&D



“ **Better efficiency at constant 5% of sales R&D budget** ”

Accelerate pace of change

Accelerate the transformation process

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

Further cost reduction initiatives

Address remaining structural gaps with competitors

- New additional plan launched in July
- Merger of Additives and Organic Peroxides

Additional optimizations to offset inflation

Specific emphasis on G&A

- Streamline support functions
- Reach “best-in-class” ratio

Improve variable costs

- Energy efficiency

Chase expenses throughout the company

🔸 Improve goods and services purchasing

- Higher centralization of G&S purchasing
- E-procurement implementation

🔸 Optimize real estate utilization

- Sell non-industrial real estate
- Headquarters

🔸 Better control of US welfare and pension benefits

- Keep only active employees at spin off
- Move to a more competitive and efficient benefits package
- Switch to a defined contribution plan

Entrepreneurial culture

☛ Continue to simplify the organization

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

☛ Increase accountability and performance

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

☛ “The right people in the right jobs”

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

Selective portfolio management

DIVESTMENTS

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

- Disposal of non-core assets



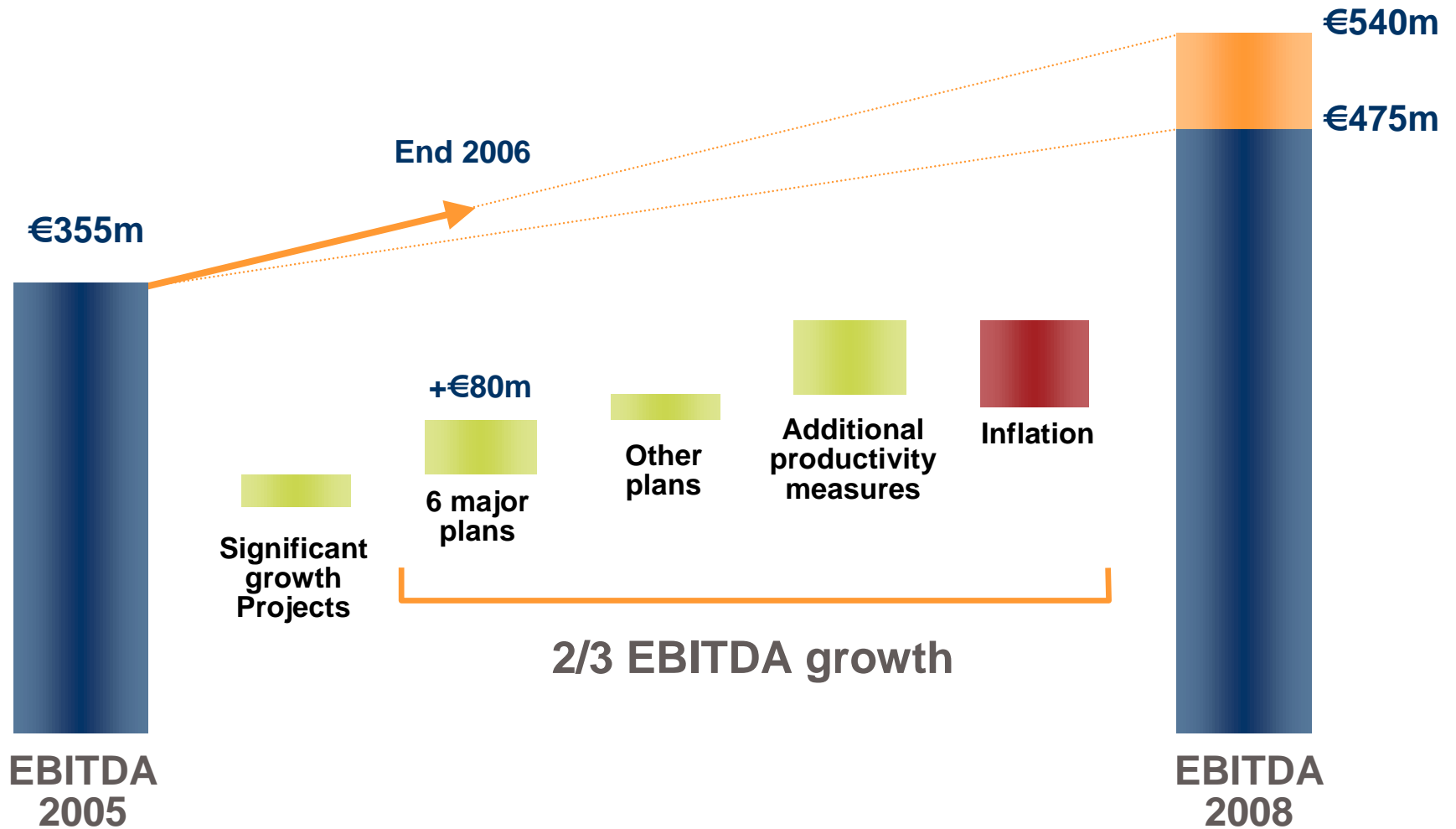
ACQUISITIONS

Bolt-on acquisitions in our core activities

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

« Better focused, less cyclical portfolio »

Confirm the 10 to 15% EBITDA growth target*



Mid term target

- **Confirmation of +10 to +15% recurring EBITDA growth**
 - Calculated as an average annual growth for the next 3 years (06-08)*
 - Despite a less favorable environment in acrylics compared to 2005
- Positive free cash-flows from 2007
(before pre-spin off non-recurring items)
- Reduce working capital to 20% of sales
- Gearing to be maintained between 30 to 40%



Appendix

Management compensation

FIXED PART

- In line with the indications given in the prospectus

FIRST VARIABLE PART

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

SECOND VARIABLE PART

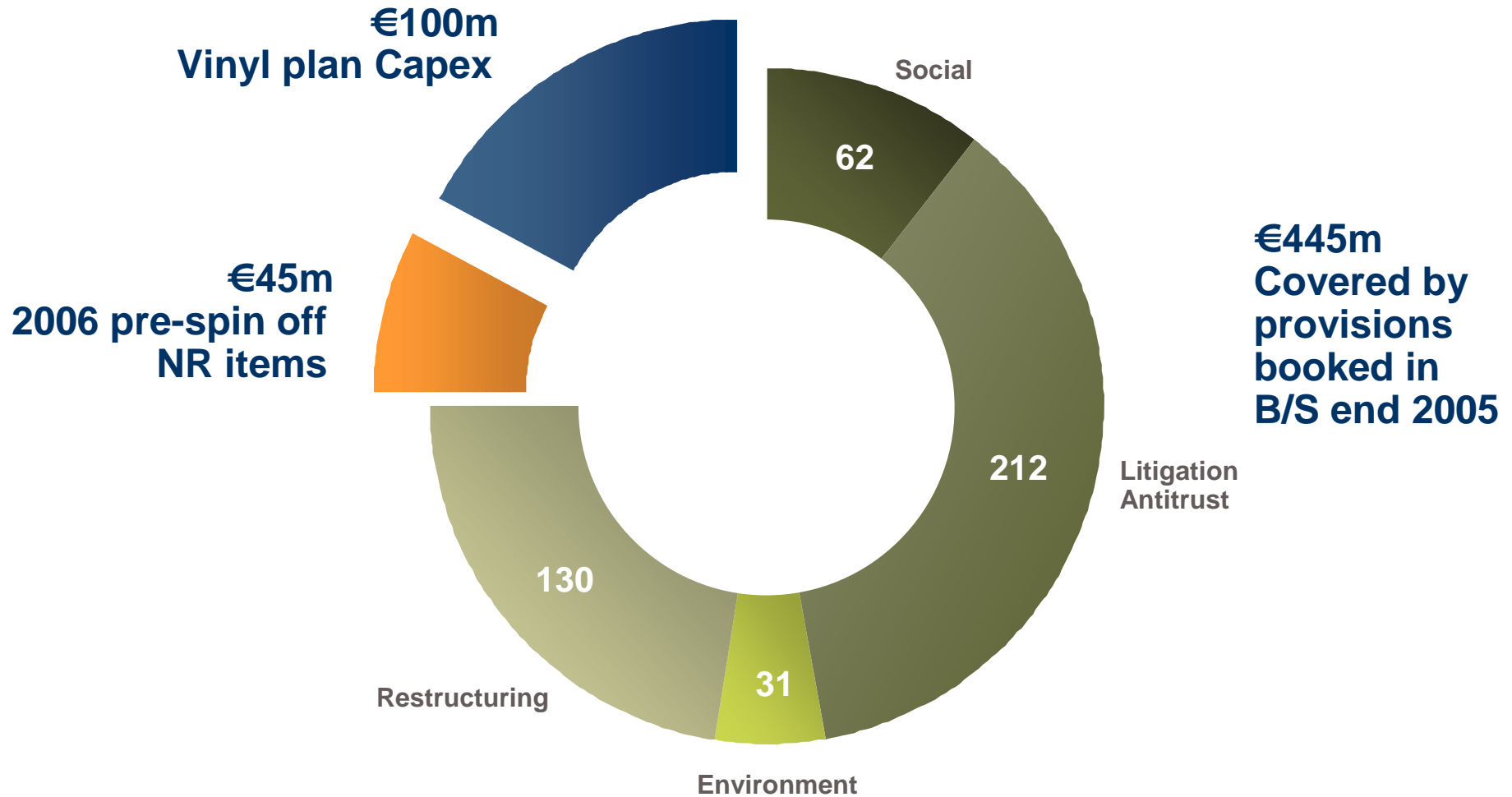
- Linked to Arkema's stock price and performance
- Stock-options and free shares
- Free shares will only be allocated if the EBITDA growth target is reached

Stock-options and free shares

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

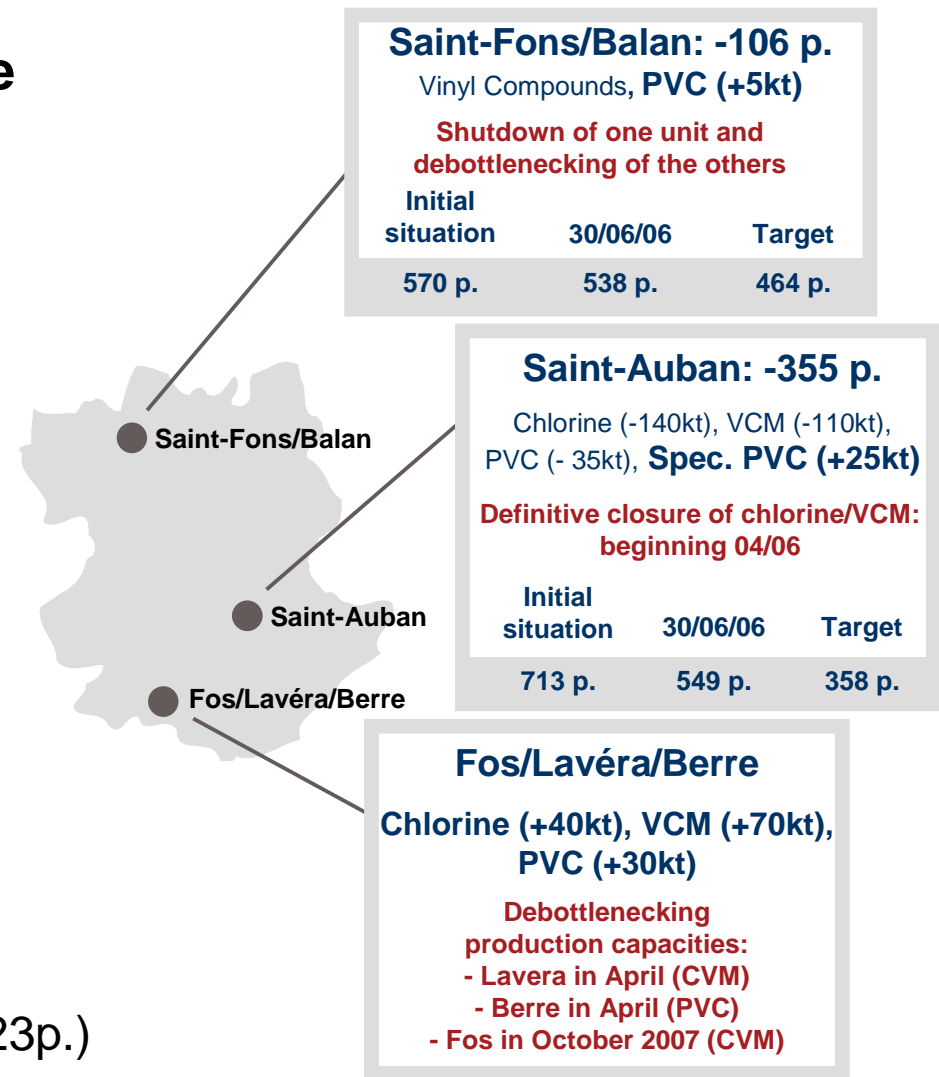
- 70% of the total compensation of the CEO
- 50% of the total compensation of the Executive Committee members

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



Vinyl Products: secure long-term competitiveness

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



Main accounting and financial indicators

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



Disclaimer

The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of ARKEMA. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as, among others, changes in raw materials prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions. ARKEMA does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect ARKEMA's financial results is provided in the documents filed with the French Autorité des Marchés Financiers

The interim accounts disclosed in the present press release have been subject to a limited review by ARKEMA's statutory auditors. Financial information related to 2005 are extracted from pro forma financial statements prepared for the purpose of the listing of ARKEMA SA. Financial information for 2006 are extracted from the consolidated financial statements of ARKEMA The business segment information is presented in accordance with ARKEMA's internal reporting system used by the management.

A global chemical player, ARKEMA consists of 3 coherent and related business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries with 18,400 employees, ARKEMA achieves sales of 5.7 billion euros. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, ARKEMA holds leadership positions in its principal markets The information disclosed in this document may contain forward-looking statements with respect to the financial condition, results of operations, business and strategy of ARKEMA. Such statements are based on management's current views and assumptions that could ultimately prove inaccurate and are subject to risk factors such as, among others, changes in raw materials prices, currency fluctuations, implementation pace of cost-reduction projects and changes in general economic and business conditions. ARKEMA does not assume any liability to update such forward-looking statements whether as a result of any new information or any unexpected event or otherwise. Further information on factors which could affect ARKEMA's financial results is provided in the documents filed with the French Autorité des Marchés Financiers

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