

Paris, June 1<sup>st</sup>, 2006

**ARKEMA : 1<sup>ST</sup> QUARTER 2006 RESULTS**
**RESULTS IN LINE WITH FORECASTS GIVEN BEFORE THE SPIN-OFF**

- Sales increase 8.7% to €1,545 million
- Recurring operating income of €61 million (exceeded the €55 million forecast given in the prospectus for the purpose of the listing)
- Positive net income of €9 million
- Confirmation of the improvement of the Performance Products segment results with a recurring EBITDA margin of 8.6% in the first quarter

<i>(In millions of euros)</i>	<u>1st quarter 2005</u>	<u>1st quarter 2006</u>	<u>Variation</u>
<b>Sales</b>	1,421	1,545	+8.7%
<b>Recurring EBITDA</b>	134	117	-12.7%
<b>Recurring EBITDA margin</b>	9.4%	7.6%	-
<b>Recurring operating income</b>	80	61	-23.8%
<b>Net income</b>	(69)	9	-
<b>Capital expenditures</b>	56	55	-
<b>Capital employed</b>	3,068	3,165	+3.2%

**Sales** rose 8.7% to €1,545 million in 1<sup>st</sup> quarter 2006 from €1,421 million in 1<sup>st</sup> quarter 2005. This increase resulted mainly from an increase in volume (+5.3%), a positive foreign currency effect (+3.0%) related mainly to the appreciation of the dollar against the euro and to a smaller extent from price increases (+0.6%). The changes in the scope of business had a very limited impact on sales (-0.2%).

The contribution of the different segments changed slightly. Vinyl Products represented only 23% of sales (compared to 25% in the 1<sup>st</sup> quarter 2005); Industrial Chemicals and Performance Products increased 43% and 34% respectively (against 42% and 33% in Q1 2005).

**Recurring EBITDA** totalled €117 million, compared to €134 million for the same period in 2005, during which chlorochemicals and acrylics benefited from very good economic conditions.

Strong volumes in Acrylics, Technical Polymers and Specialty Chemicals partially offset the significant decrease in unit margins in both Acrylics and Chlorochemicals.

**Recurring EBITDA margin** amounted to 7.6% for the 1<sup>st</sup> quarter, which was below 1<sup>st</sup> quarter 2005 margin (9.4%), but exceeded the average margin of 2005 (6.2%).

**Recurring operating income** of €61million was down from €80 million in Q1 2005; depreciation and amortization was stable. This result slightly exceeded the €55 million forecast indicated in the prospectus given to the AMF for the spin-off.

**Operating results** were €39 million as compared to €(45) million in the first quarter 2005. The Q1 2006 operating income includes an additional restructuring provision of €23 million taken for the closure of the urea formaldehyde resins plant in Villers-Saint-Paul (France).

The 1<sup>st</sup> quarter 2005 operating result included additional provisions for restructuring of €124.5 million (mainly related to the Chlorochemicals plan).

**Net result** was positive at €9 million compared to a net loss of €(69) million in 1<sup>st</sup> quarter 2005.

**Capital expenditures** amounted to €55 million in the first quarter 2006.

**Working capital** increased by 7.4% to €1,390 million compared to December 31<sup>st</sup>, 2005, following the growth in sales.

**Net debt** totalled €434 million at the end of March 2006 compared to €567 million end 2005 and takes into account a share capital increase of €259 million subscribed by Total. An additional share capital increase of €273 million was subscribed by Total in April 2006, corresponding to a total increase before the spin-off of €532 million.

**Cash flow from operating activities** were €(42) million due to the increase in working capital (+€101 million) and exceptional cash expenses (€28million).

## Segments performance

### VINYL PRODUCTS

<i>(In millions of euros)</i>	<u>1st quarter 2005</u>	<u>1st quarter 2006</u>	<u>Variation</u>
<b>Sales</b>	<b>360</b>	<b>361</b>	<b>+0.3%</b>
<b>Recurring EBITDA</b>	<b>29</b>	<b>11</b>	<b>-62.1%</b>
<b>Recurring EBITDA margin</b>	<b>8.1%</b>	<b>3.0%</b>	<b>-</b>
<b>Recurring operating income</b>	<b>25</b>	<b>7</b>	<b>-72.0%</b>
<b>Operating income</b>	<b>(94)</b>	<b>7</b>	<b>-</b>

**Vinyl Products** segment sales increased by 2.3% taking into account the same scope of business<sup>1</sup>. Satisfactory volumes in both PVC and the two downstream businesses (Alphacan and Vinyl Compounds) offset the impact of decreased sales due to Arkema's withdrawal from the merchant VCM market and monochloroacetic acid in December 2005. Both actions are part of the Chlorochemicals restructuring plan.

The EBITDA decrease from €29 million (1<sup>st</sup> quarter 2005) to €11 million (1<sup>st</sup> quarter 2006) was driven by a reduction of the PVC selling prices in an environment of higher natural gas and ethylene costs. Fixed costs were strictly controlled with no benefit as yet from the effects of the Chlorochemicals restructuring plan.

The operating income of the 1<sup>st</sup> quarter 2005 was significantly impacted by the restructuring provisions related to the Chlorochemicals plan for €118.5 million.

### VINYL PRODUCTS HIGHLIGHTS

The Chlorochemicals restructuring plan is being implemented at the anticipated pace. The Saint-Auban production units (chlorine, VCM and chlorine derivatives) were closed end of March. The increase in VCM capacity at Lavera will be implemented during the major maintenance turnaround which began end of March and continued in April.

<sup>1</sup> After reprocessing of the water treatment business that was transferred from the Vinyl Products segment to the Industrial Chemicals segment at the end of 2005.

**INDUSTRIAL CHEMICALS**

<i>(In millions of euros)</i>	<u>1st quarter 2005</u>	<u>1st quarter 2006</u>	<u>Variation</u>
<b>Sales</b>	<b>590</b>	<b>661</b>	<b>+12.0%</b>
<b>Recurring EBITDA</b>	<b>90</b>	<b>80</b>	<b>-11.1%</b>
<b>Recurring EBITDA margin</b>	<b>15.3%</b>	<b>12.1%</b>	<b>-</b>
<b>Recurring operating income</b>	<b>63</b>	<b>51</b>	<b>-19.0%</b>
<b>Operating income</b>	<b>63</b>	<b>51</b>	<b>-19.0%</b>

**Industrial Chemicals** segment sales increased strongly 10.7% with the same scope of business perimeter<sup>1</sup> due to higher volumes and a positive foreign currency effect. The price effect was relatively minor, as price increases in Thiochemicals, Fluorochemicals and Hydrogen Peroxide were offset by significant price decreases in Acrylics.

EBITDA decreased 11.1% to €80 million due largely to a significant decrease in acrylic unit margins, which were partially offset by improvements in the other businesses' results.

In Acrylics, volume growth reduced the impact of the unit margin decline.

In PMMA, demand for sheet remained weak in Europe and North America. Resins activity was sound and margins improved slightly.

Thiochemicals benefited in Q1 from new volumes produced at the Beaumont unit (Texas) which started in May 2005.

Fluorochemicals prices increased but volumes remained slightly lower compared to the first quarter 2005.

For Hydrogen Peroxide, demand remained roughly at the same level, with the strong increase in Asia offset the lower activity in North America and Europe.

**INDUSTRIAL CHEMICALS HIGHLIGHTS**

Arkema will increase by 15% its acrylic acid production capacity in Carling (France) by the end of 2006.

In Fluorochemicals, Arkema announced a 50% capacity increase of its Forane<sup>®</sup> 22 production unit in Changshu, China.

Arkema also launched a \$45 million investment project to convert one of its Calvert City (Kentucky) units for the production of HFC-32. The start-up is planned for 2007.

Arkema announced the doubling of the production capacity of its Hydrogen Peroxide unit in Shanghai. The capacity of this production unit will be expanded to almost 80,000 metric tons per year. Arkema is the majority shareholder in this operation (66.6%).

<sup>1</sup> After reprocessing of the water treatment business that was transferred from the Vinyl Products segment to the Industrial Chemicals segment at the end of 2005.

**PERFORMANCE PRODUCTS**

<i>(In millions of euros)</i>	<u>1st quarter 2005</u>	<u>1st quarter 2006</u>	<u>Variation</u>
<b>Sales</b>	<b>474</b>	<b>521</b>	<b>+9.9%</b>
<b>Recurring EBITDA</b>	<b>33</b>	<b>45</b>	<b>+36.4%</b>
<b>Recurring EBITDA margin</b>	<b>7.0%</b>	<b>8.6%</b>	<b>-</b>
<b>Recurring operating income</b>	<b>11</b>	<b>22</b>	<b>+100.0%</b>
<b>Operating income</b>	<b>5</b>	<b>(1)</b>	<b>-</b>

**Performance Products** segment sales increased by 9.9% driven by volume increases in Technical Polymers and Specialty Chemicals, pricing initiatives notably in Additives and a positive foreign currency effect.

EBITDA increased by 36.4% to €45 million which confirms the profitability improvement of Performance Products. This increase resulted from volume growth, the priority given to margin recovery and strict control of fixed costs.

Recurring EBITDA margin was 8.6% in the 1<sup>st</sup> quarter, clearly improving over the margins of Q1 2005 (7.0%) and the average margin of 2005 (5.7%).

Technical Polymers benefited from growth on all the product lines and the positive impact from successful start-ups of the EVA unit in Balan, France and the Orevac<sup>®</sup> expansion in Mont, France.

The improved performance in Specialty Chemicals (CECA), which began in Q4 '05, continued in Q1 '06 with notable strength with additives for the oil industry, molecular sieves and filter aids.

Operating income was strongly impacted in the 1<sup>st</sup> quarter 2006 by the €23 million restructuring provision, following the announcement of the urea formaldehyde resins production site closure in Villers-Saint-Paul (France). A first €6 million provision for restructuring was already included in the operating income for the 1<sup>st</sup> 2005 quarter.

**PERFORMANCE PRODUCTS HIGHLIGHTS**

In Technical Polymers, Arkema announced a 40% capacity increase of its Orgasol<sup>®</sup> production site in Mont. The corresponding investments will be made in 2006 for a start-up scheduled for the first quarter 2007.

CECA, a subsidiary of the Arkema group active in Specialty Chemicals, announced a 30% increase in its molecular sieves production at its Inowroclaw plant in Poland. The start-up is anticipated for early 2007.

The information/consultation of the labor representatives on the definitive closure of the Villers-Saint-Paul site is now over. This restructuring impacts 101 positions.

### **Outlook**

Demand seems well oriented for the rest of 2006 in an economic environment characterized by a particularly high level of energy and raw material costs. In acrylics, start-up of new production capacities, particularly in Asia, should maintain high pressure on unit margins.

First quarter 2006 results which exceeded the forecast provided in the prospectus confirm Arkema's main commitment of an increase in its recurring EBITDA between 10 to 15% per year on average over the next three years compared with the 2005 level.

Capital expenditures should be approximately €350 million including investments made in connection with the Chlorochemicals restructuring plan.

### **Events after the balance sheet date**

Concerning the European proceedings on past antitrust practices, Arkema was imposed a fine of €79 million related to the Hydrogen Peroxide market and a fine of €219 million related to the methacrylate market. These fines will have no impact on Arkema's results taking into account both provisions already booked and the warranty agreed with Total.

### **2006 Financial Calendar**

September 13, 2006	2 <sup>nd</sup> quarter 2006 results
November 15, 2006	3 <sup>rd</sup> quarter 2006 results

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**Disclaimer**

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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. Quaterly financial information are not audited.

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

The main performance indicators used are as follows:

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

A global chemical player, Arkema consists of 3 coherent and related business segments: Vinyl Products, Industrial Chemicals, and Performance Products. Present in over 40 countries with 18,400 employees, Arkema achieves sales of 5.7 billion euros. With its 6 research centers in France, the United States and Japan, and internationally recognized brands, Arkema holds leadership positions in its principal markets.



# **ARKEMA financial statements**

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**Consolidated financial statements - Q1 2006**

## INCOME STATEMENT

<i>(In millions of euros)</i>	<u>Q1 - 2005</u> Pro forma figures <i>(unaudited)</i>	<u>Q1 - 2006</u> Consolidated figures <i>(unaudited)</i>
<b>Sales</b>	1 421	1 545
Operating expenses	(1 186)	(1 331)
Research and development expenses	(45)	(45)
Selling and administrative expenses	(111)	(108)
<b>Recurring operating income</b>	<b>80</b>	<b>61</b>
Other income and expenses	(125)	(22)
<b>Operating income</b>	<b>(45)</b>	<b>39</b>
Equity in income of affiliates	2	(0)
Cost of debt	(2)	(4)
Income taxes	(24)	(26)
<b>Net income</b>	<b>(69)</b>	<b>9</b>
Of which minority interests	(0)	(0)
<b>Net income - Group share</b>	<b>(69)</b>	<b>9</b>
<i>Earnings per share (amount in euros)</i>	<i>(1.13)</i>	<i>0.15</i>
<i>Diluted earnings per share (amount in euros)</i>	<i>(1.13)</i>	<i>0.15</i>
Depreciation and amortization	(54)	(56)
Recurring EBITDA	134	117

## BALANCE SHEET

	<u>31.12.2005</u>	<u>31.03.2006</u>
	Pro forma	Consolidated (unaudited)
<i>(In millions of euros)</i>		
<b>ASSETS</b>		
Intangible assets, net	149	146
Property, plant and equipment, net	1 251	1 241
Equity affiliates: investments and loans	112	110
Other investments	22	21
Deferred income tax assets	108	104
Other non-current assets	240	257
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1 882</b>	<b>1 878</b>
Inventories	1 124	1 107
Accounts receivable	1 199	1 291
Prepaid expenses and other current assets	370	277
Income taxes recoverable	31	35
Cash and cash equivalents	67	65
<b>TOTAL CURRENT ASSETS</b>	<b>2 792</b>	<b>2 775</b>
<b>TOTAL ASSETS</b>	<b>4 674</b>	<b>4 653</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Share capital	-	259
Paid-in surplus and retained earnings	1 366	1 374
Cumulative translation adjustment	83	57
Treasury shares	-	-
<b>SHAREHOLDERS' EQUITY - GROUP SHARE</b>	<b>1 449</b>	<b>1 691</b>
<b>Minority interests</b>	<b>14</b>	<b>14</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1 463</b>	<b>1 705</b>
Deferred income tax liabilities	58	57
Provisions	1 086	1 072
Non-current debt	59	58
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1 203</b>	<b>1 187</b>
Accounts payable	861	809
Other creditors and accrued liabilities	544	479
Income taxes payable	28	32
Current debt	575	441
<b>TOTAL CURRENT LIABILITIES</b>	<b>2 008</b>	<b>1 761</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>4 674</b>	<b>4 653</b>

## CASH FLOW STATEMENT

<i>(In millions of euros)</i>	<u>Q1 - 2005</u> Pro forma figures <i>(unaudited)</i>	<u>Q1 - 2006</u> Consolidated figures <i>(unaudited)</i>
<b>Cash flow - operating activities</b>		
Net income	(69)	9
Depreciation, amortization and impairment of assets	54	56
Provisions, valuation allowances and deferred taxes	96	(8)
(Gains)/losses on sales of assets	(1)	(1)
Undistributed affiliate equity earnings	(2)	0
Other changes	-	2
Change in working capital	(219)	(101)
<b>Cash flow from operating activities</b>	<b>(141)</b>	<b>(42)</b>
<b>Cash flow - investing activities</b>		
Intangible assets and property, plant, and equipment, additions	(56)	(55)
Acquisitions of subsidiaries, net of cash acquired	(2)	-
Increase in long-term loans	(1)	(29)
<b>Total expenditures</b>	<b>(59)</b>	<b>(84)</b>
Proceeds from sale of intangible assets and property, plant and equipment	2	1
Proceeds from sale of subsidiaries, net of cash sold	0	-
Proceeds from sale of other investments	-	-
Repayment of long-term loans	9	5
<b>Total divestitures</b>	<b>11</b>	<b>6</b>
<b>Cash flow from investing activities</b>	<b>(48)</b>	<b>(77)</b>
<b>Cash flow - financing activities</b>		
Issuance (repayment) of shares / Parent company shareholders	-	259
Dividends paid to Parent company shareholders	-	-
Dividends paid to Minority shareholders	-	-
Issuance of long-term debt	-	-
Repayment of long-term debt	(1)	(1)
Increase in short-term borrowings and bank overdrafts	203	47
Decrease in short-term borrowings and bank overdrafts	(5)	(184)
<b>Cash flow from financing activities</b>	<b>196</b>	<b>121</b>
Net increase/(decrease) in cash and cash equivalents	7	1
Effect of exchange rates and changes in scope	5	(3)
Cash and cash equivalents at beginning of period	77	67
<b>Cash and cash equivalents at end of period</b>	<b>89</b>	<b>65</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(unaudited)

(In millions of euros)	Shares issued				Treasury shares			Shareholders' equity - Group share	Minority interests	Total shareholders' equity
	Number	Amount	Paid-in surplus	Retained earnings	Cumulative translation adjustment	Number	Amount			
<b>As of January 1, 2006</b>				1 366	83			1 449	14	1 463
Cash dividend								-		-
Net income				9				9		9
Issuance of share capital		259						259		259
Purchase of treasury shares								-		-
Cancellation of treasury shares								-		-
Sale of treasury shares								-		-
Other					(1)			(1)		(1)
<i>Transactions with shareholders</i>		259	-	9	(1)	-	-	267	-	267
Changes in items recognized directly through equity										
Change in translation adjustments					(25)			(25)		(25)
<i>Items other than transactions with shareholders</i>		-	-	-	(25)	-	-	(25)	-	(25)
<b>As of March 31, 2006</b>		259	-	1 375	57	-	-	1 691	14	1 705

**INFORMATION BY BUSINESS SEGMENT**  
(unaudited)

<i>(In millions of euros)</i>	Q1 2005				
	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group total
Non-Group sales	360	590	474	(3)	1 421
Inter-segment sales	20	44	5	0	0
<b>Total sales</b>	<b>380</b>	<b>634</b>	<b>479</b>	<b>(3)</b>	<b>1 421</b>
<b>Recurring operating income</b>	<b>25</b>	<b>63</b>	<b>11</b>	<b>(19)</b>	<b>80</b>
<b>Other income and expenses</b>	<b>(119)</b>	<b>-</b>	<b>(6)</b>	<b>0</b>	<b>(124)</b>
<b>Operating income</b>	<b>(94)</b>	<b>63</b>	<b>5</b>	<b>(19)</b>	<b>(45)</b>
Equity in income of affiliates	2	0	0	-	2
Depreciation and amortization	(4)	(27)	(22)	(2)	(54)
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	(122)	(3)	(11)	29	(107)
<b>Recurring EBITDA</b>	<b>29</b>	<b>90</b>	<b>33</b>	<b>(18)</b>	<b>134</b>
<b>Intangible assets and property, plant and equipment, additions</b>	<b>8</b>	<b>23</b>	<b>25</b>	<b>1</b>	<b>56</b>

  

<i>(In millions of euros)</i>	Q1 2006				
	Vinyl Products	Industrial Chemicals	Performance Products	Corporate	Group total
Non-Group sales	361	661	521	2	1 545
Inter-segment sales	21	47	4	0	0
<b>Total sales</b>	<b>382</b>	<b>709</b>	<b>525</b>	<b>2</b>	<b>1 545</b>
<b>Recurring operating income</b>	<b>7</b>	<b>51</b>	<b>22</b>	<b>(20)</b>	<b>61</b>
<b>Other income and expenses</b>	<b>-</b>	<b>-</b>	<b>(23)</b>	<b>1</b>	<b>(22)</b>
<b>Operating income</b>	<b>7</b>	<b>51</b>	<b>(1)</b>	<b>(19)</b>	<b>39</b>
Equity in income of affiliates	(0)	(0)	0	-	(0)
Depreciation and amortization	(4)	(29)	(23)	-	(56)
Asset impairment	-	-	-	-	-
Changes in non-current provisions recognized through income	1	(4)	(28)	25	(6)
<b>Recurring EBITDA</b>	<b>11</b>	<b>80</b>	<b>45</b>	<b>(19)</b>	<b>117</b>
<b>Intangible assets and property, plant and equipment, additions</b>	<b>11</b>	<b>25</b>	<b>19</b>	<b>1</b>	<b>55</b>