

# shareholder NEWSLETTER



Thierry Le Hénaff  
Chairman and Chief Executive Officer

## DEAR SHAREHOLDERS,

I am pleased to introduce our first newsletter, part of our policy of maintaining a close and open relationship with you. I felt it important, six months after our spin-off, to update you on Arkema's developments and performance.

Since May 18 this year, we have actively continued the transformation of Arkema into a more reactive and efficient company. We have defined a balanced strategy between a strong emphasis on productivity and a focus on profitable growth which is based on extending the capacity of our best plants in Europe and the United States, accelerating innovation and developing new industrial plants in Asia.

The measures we have taken since Arkema was created in October 2004 begin to bear their fruits. Our development projects are on track, especially the debottlenecking of our acrylic acid units in Carling (Moselle, France) and the restart in October of our hydrogen peroxide plant in Canada.

Our financial performance improved significantly over the first nine months of the year in an environment of rising raw material and energy costs. Sales increased 5% to €4.5 billion, while operating income rose fourfold. Net income amounted to €59 million and is expected to remain positive over the full year.

Based on the progress we have already made, we can confirm our target of 10 to 15% EBITDA growth from 2006 to 2008, with recurring capital expenditure maintained at about €300 million a year.

Encouraged by these first results, I am confident in our ability to build, with you, a major and competitive chemical player.

I would like to thank you for your loyalty and confidence in our Group.

Thierry Le Hénaff  
Chairman and Chief Executive Officer

## KEY FIGURES

(2005 data)

€5.7 bn in sales

Almost 18,000 employees

Present in 40 countries

90 production sites

1,400 researchers

6 R&D centers

Over 3% of revenue devoted to R&D

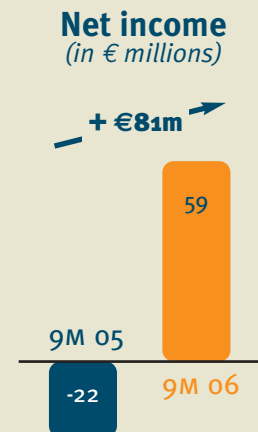
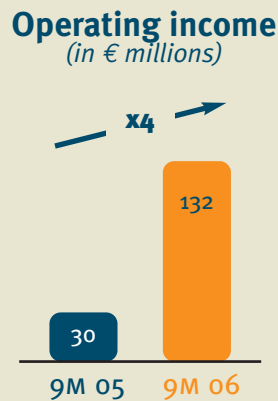
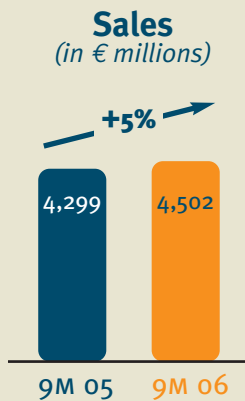
€300m a year on average in recurring capital expenditure

3 business segments:

- Vinyl Products
- Industrial Chemicals
- Performance Products



# Results for the first nine months of 2006

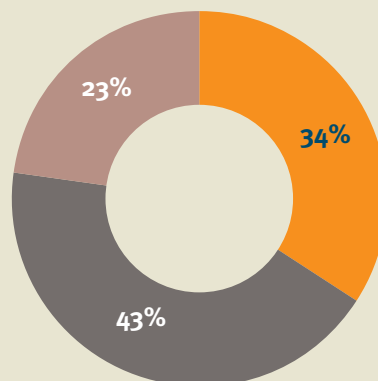


- **5%** increase in sales
- **Fourfold** increase in operating income
- Positive net result
- Strong improvement of the Performance Products segment results

## Sales by segment (9 months 2006)

### Vinyl Products segment

- Third largest European PVC producer
- Strong integration, both upstream (chlorochemicals, soda) and downstream (PVC pipes and windows)
- Implementation of a plan to improve competitiveness



### Performance Products segment

- Wide range of high value-added products
- Among the world leaders in each business
- Growth supported by innovation

### Industrial Chemicals segment

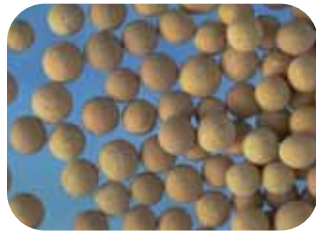
- Major chemical intermediates (Acrylics, Fluorochemicals, Thiochemicals, Hydrogen Peroxide)
- Leading global positions
- Focused growth through targeted development of industrial projects launched in 2006

# Group life

Arkema's first priorities were to restore the competitiveness of its **Vinyl Products Segment** by launching an ambitious consolidation plan, and to grow its **Industrial Chemicals** through some major development projects. In 2006, we accelerated the transformation of our third business segment, **Performance Products**.

This transformation has resulted in a number of productivity measures such as closing down loss-making plants (e.g. Villers-Saint-Paul and Loison in France), and merging the Additives and Organic Peroxides business units. It also led to targeted development projects in our high value-added products.

For example in Mont (Pyrénées Atlantiques, France), we have increased our production capacity in



Molecular sieve beads

double-glazing and for use in the oil industry. Lastly, our research enabled us to develop new products and new processes, such as a new coating technology for treated flat glass using our tin derivative additives. With these new coatings, we are able to produce glass that provides optimum thermal properties throughout the year.



Storage at the Mont plant (Pyrénées-Atlantiques, France)

polyamide powders, which are used in a variety of applications (aeronautics, cosmetics, coatings, etc.). We have also extended the granulation capacity of our molecular sieves at our plants in Inowroclaw (Poland) and Honfleur (Calvados, France). These sieves are used to separate air for the production of medical grade oxygen,



Flat glass building façades

## Focus

### PEBAX®, performance in sport



**Arkema's shareholder communications policy is based on the advertising campaign launched at the time of our spin-off. The campaign promotes the high performance of our products using the slogan: "The world demands performance at all times. Our products meet every challenge".**

Arkema's research has produced Pebax®, a lightweight, flexible material used to improve comfort and enhance the performance of a broad variety of sports equipment. For example, it is used in the latest generations of sports shoe soles, enhancing the performance of many sportsmen.

The image of a basketball player is used to illustrate this particular application, a product of Arkema's research.

# Shareholders' diary

Arkema has a close relationship with all its shareholders and has an active policy of information and dialogue. A dedicated team can provide you with information about the Group's strategy, major developments and results, which are published quarterly.

Our **web site**, [www.arkema.com](http://www.arkema.com), provides direct access to information of interest to shareholders under the section entitled Investor Relations, where you also will find a calendar of the year's events, including upcoming meetings with individual shareholders and contacts. You can also subscribe to our e-mail news alert service in this section. An adviser is available to answer your questions.

## Meetings with individual shareholders:

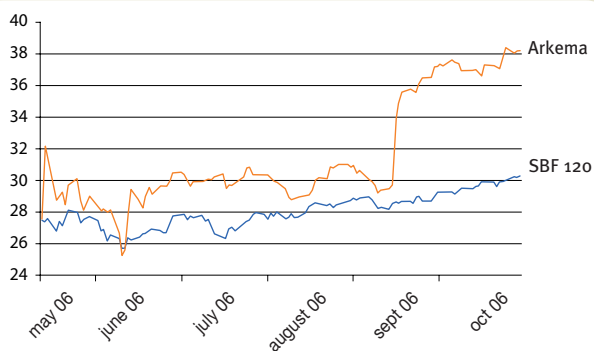
A shareholders' information meeting was held on Monday, October 16, 2006 at the Palais des Congrès in Marseille. Frédéric Gauvard, head of Investor Relations, presented Arkema's business segments, performance and outlook to over 450 participants. He then answered various questions mostly about our competitive situation, our development projects and products.

## Salon Actionaria:

Arkema participated in the Actionaria show on November 17 and 18, 2006, stand E5, Hall Maillot, Level 2. Thierry Le Hénaff spoke at the "Agora des Présidents" interviews (Level 1) on Friday, November 17 at 11 a.m.



## Share performance since spin-off: +39%



Listing price: €27.50

High: €39.20

Low: €24.90

Change: Arkema + 39%  
SBF 120 + 10%

Price at Oct. 25, 2006

• Spin-off  
May 18, 2006

• Market capitalization:  
€2.3bn

• Number of shares:  
60,453,823

• Market:  
Euronext Paris

• Indices:  
- SBF 120  
- CAC Mid 100  
- DJ Euro STOXX Chemical

• Registered shares:  
BNP Paribas Securities  
Services

• ISIN: FR0010313833  
• Bloomberg: AKE FP  
• Reuters: AKE.PA

## Financial calendar

February 15, 2007:  
2006 annual sales

March 14, 2007:  
2006 annual results

May 15, 2007:  
First quarter 2007  
results

June 5, 2007:  
Annual general meeting

## Individual Shareholder Relations

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