

# INVESTOR DAYS

**Low cost, regional and integrated producer**

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**Vinyl Products**

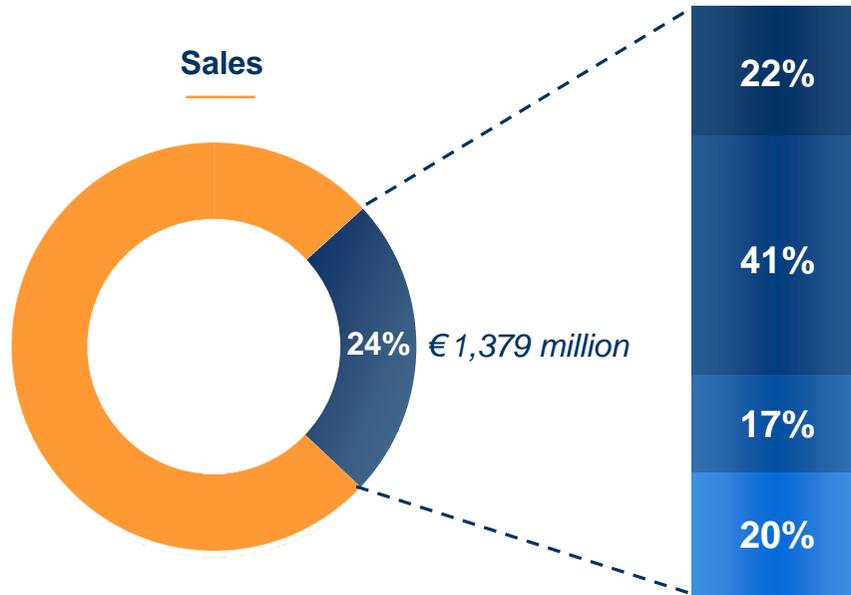
September 25<sup>th</sup>, 2007

Otto Takken  
*Executive Vice President*

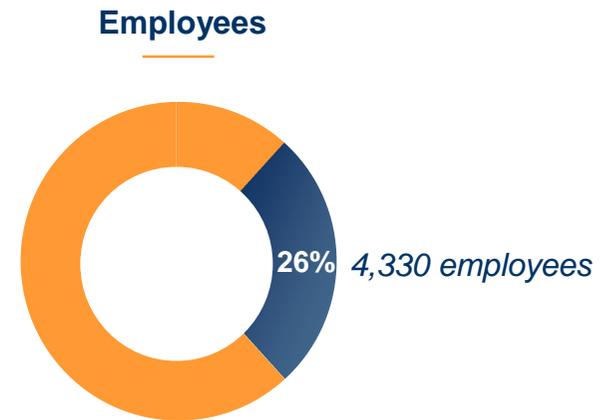
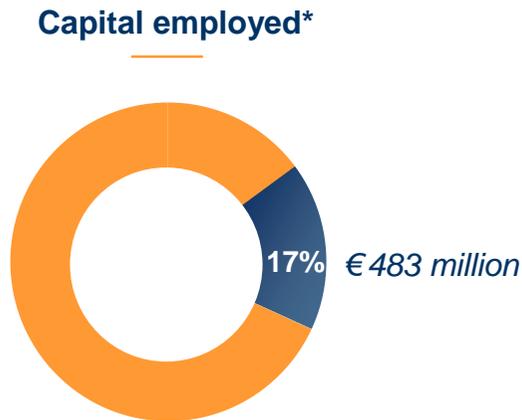
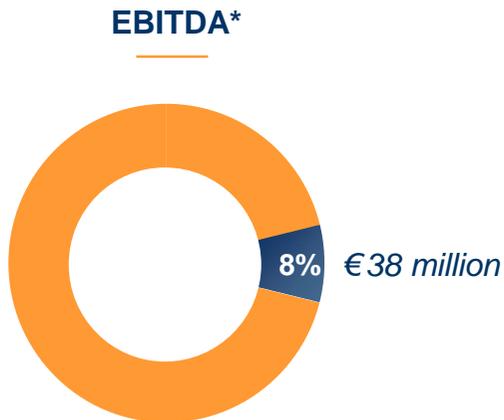


# Segment overview

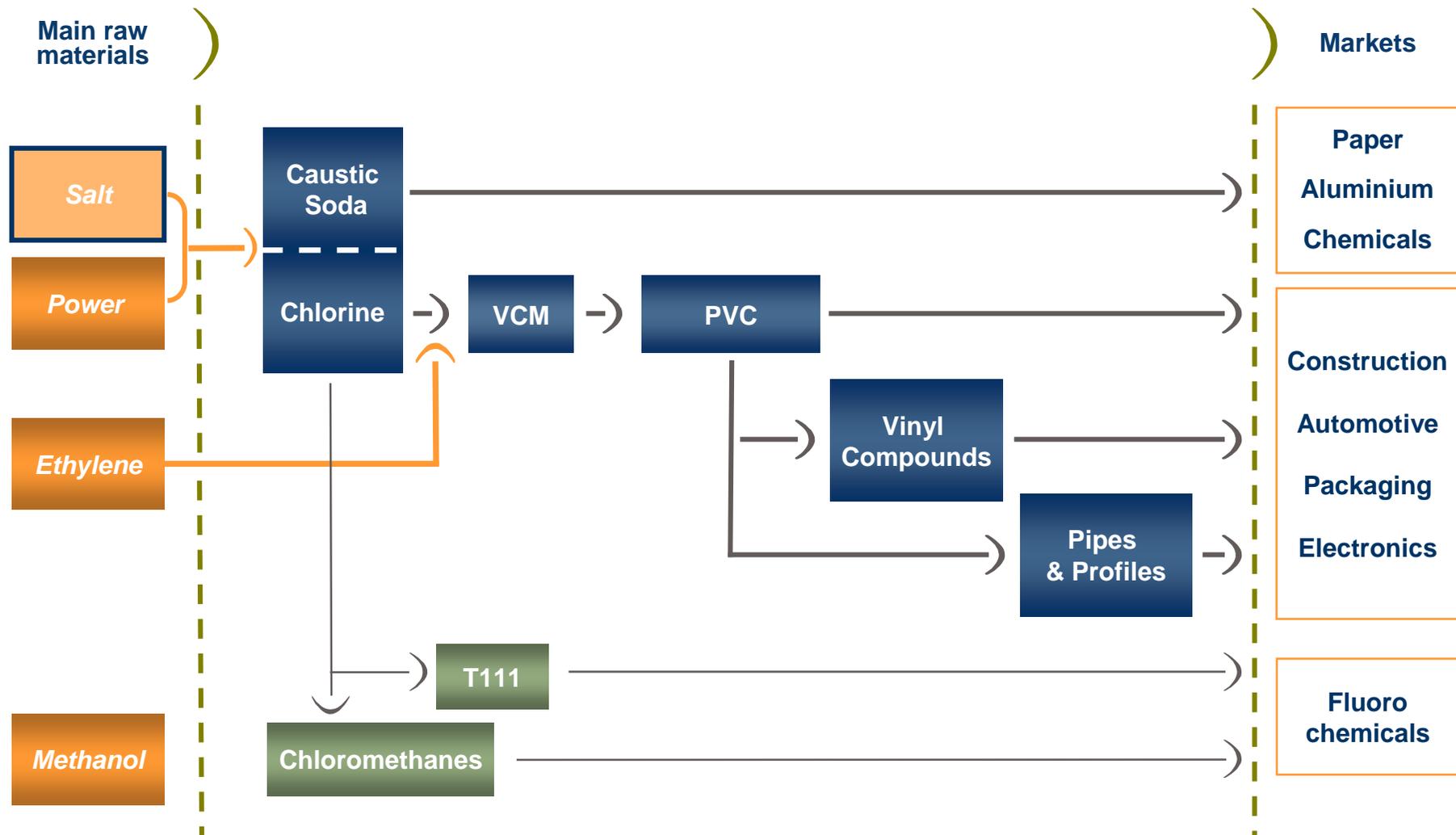
# Key figures



- **Chlorine / Caustic soda**
  - Chlorine, caustic soda, VCM, chloromethanes and chlorinated derivatives
  
- **PVC**
  - General propose and specialty PVC
  
- **Vinyl Compounds**
  - Ready for use PVC compounds
  
- **Pipes and profiles (Alphacan)**
  - PVC pipes and profiles



# An integrated chain



# Vinyl market overview

## 📊 Perspectives in line with GDP

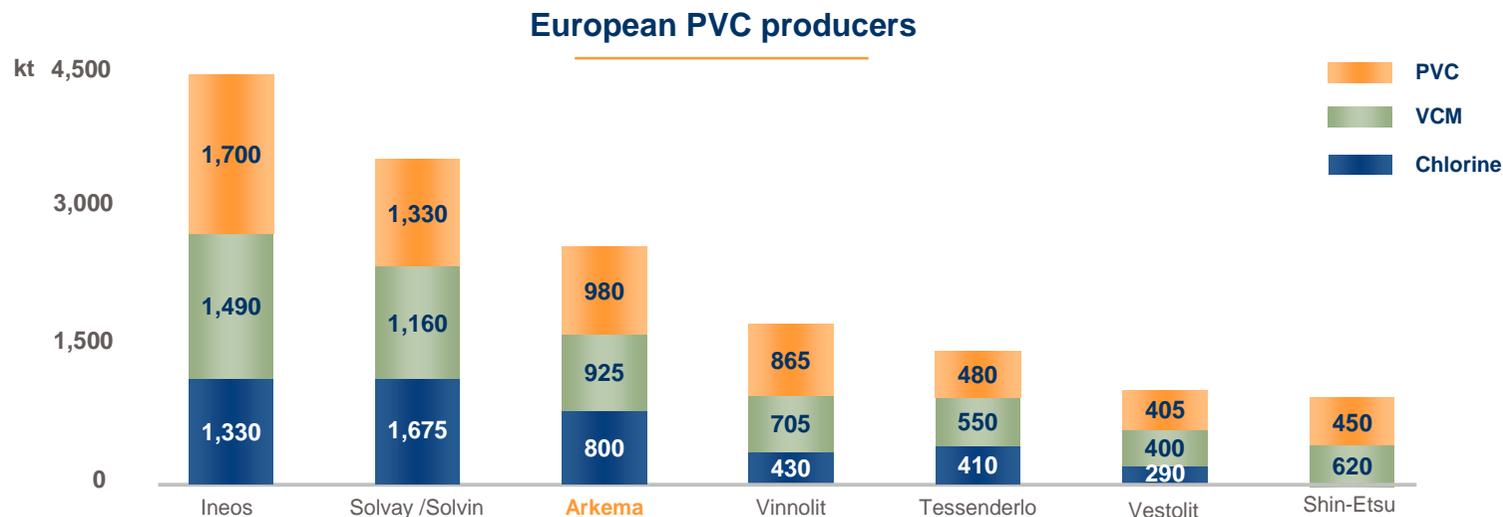
- PVC and caustic soda growth above 2% per year in Western Europe
- Growth greater than 10% in Eastern Europe and Russia

## 📊 Supply / demand well balanced

- Few new capacities in Europe
- Regional markets
- High level of operating rates

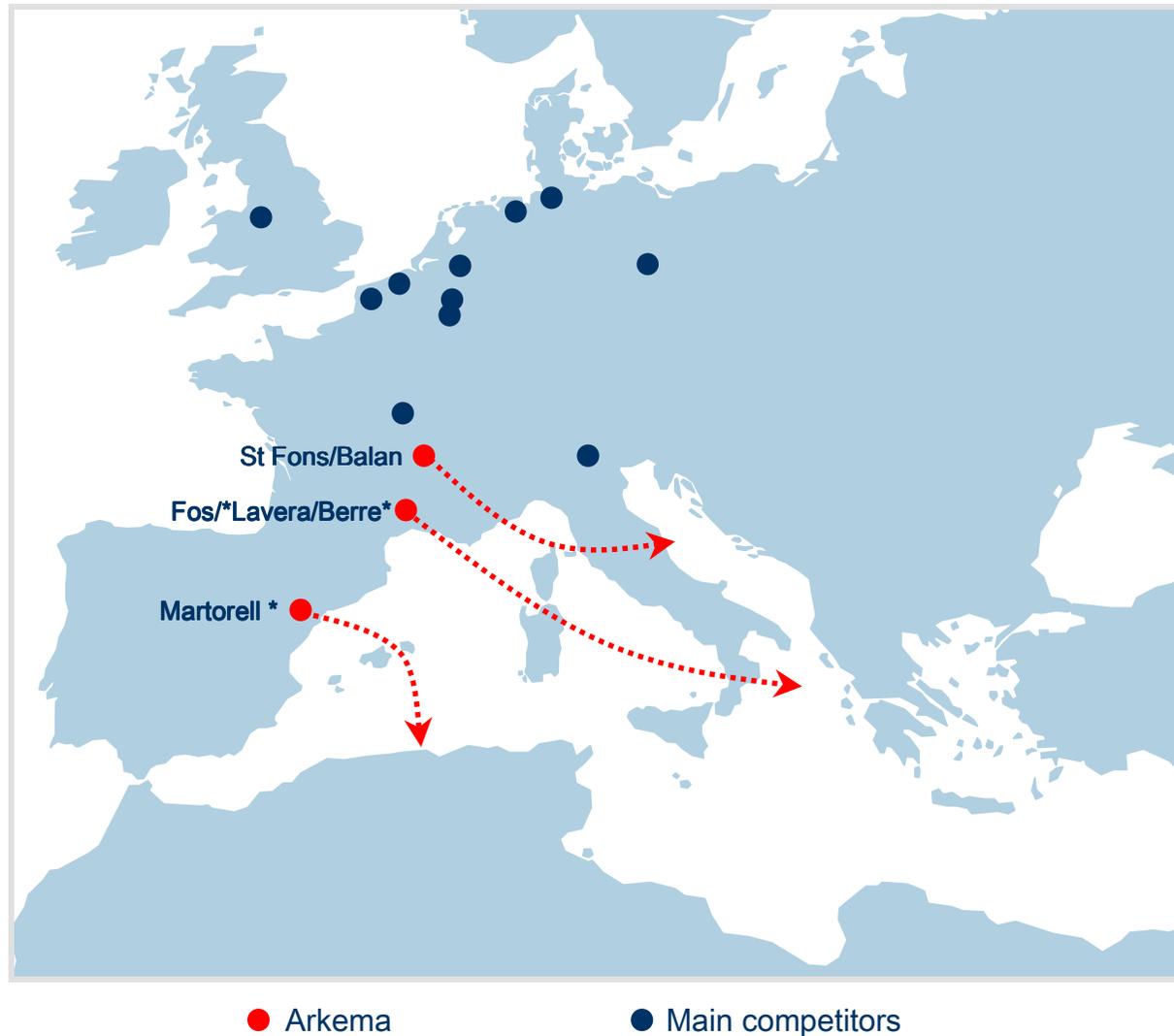
## 📊 2007 environment

- Strong demand fuelled by construction in Europe



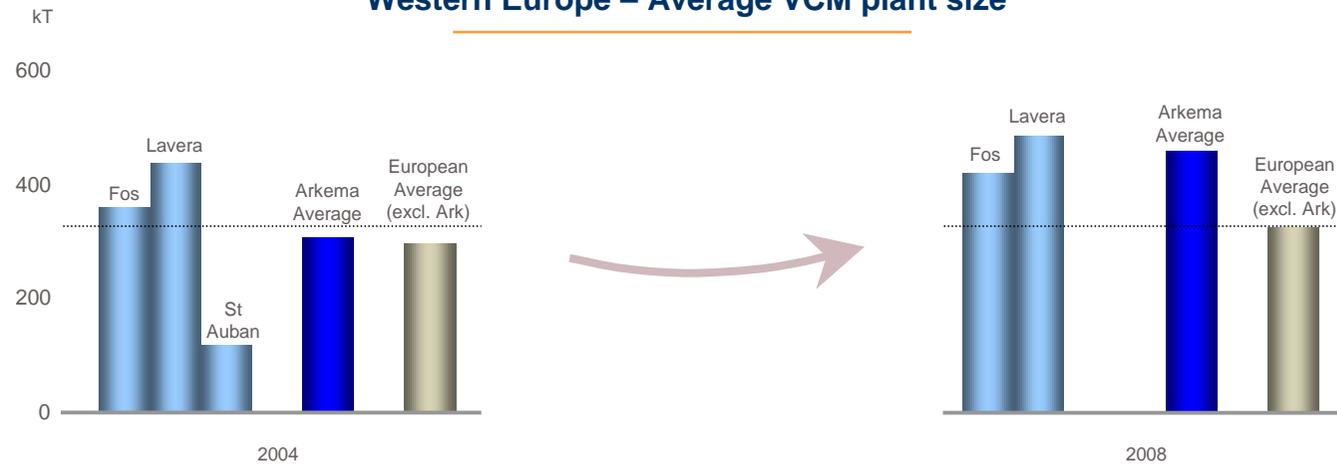
# Unique position in the Mediterranean area

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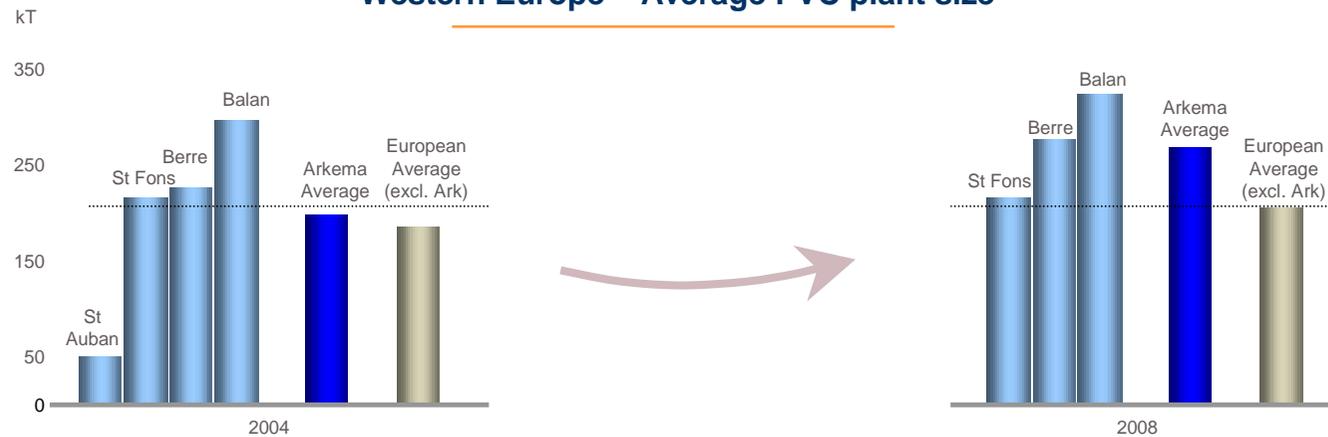


# Towards competitive assets

**Western Europe – Average VCM plant size**



**Western Europe – Average PVC plant size**



# Downstream PVC

## Vinyl Compounds

- 🗑️ **Commodity Compounds**  
for construction, packaging, cables
- 🗑️ **Specialty Compounds**  
for automotive applications  
(slush for dashboard)
- 🗑️ **Production sites in Europe & Asia**
- 🗑️ **Other integrated players:**  
Ineos, Solvay, Tessenderlo



Dashboard in PVC

## Alphacan (Pipes & Profiles)

- 🗑️ **Pipes for construction and Industry**
  - PVC, PP, PEX pipes and fittings
  - Sanitary and central heating applications
  - Irrigation systems for greenhouses
- 🗑️ **PVC Profiles**
  - Door and Window Profiles
  - Shutter systems
  - Special applications for oil and gas industry
  - Renovation market

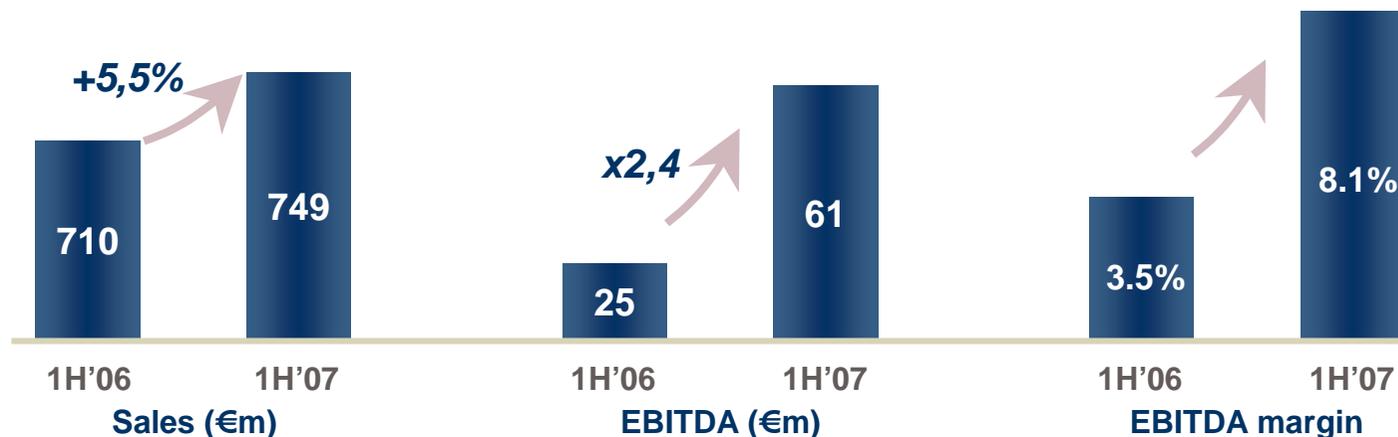


Traditional shutters

# Insufficient profitability

	2004	2005	2006
<b>Sales</b>	1,367	1,387	<b>1,379</b>
<b>EBITDA</b>	44	20	<b>38</b>
<i>EBITDA margin</i>	3.2%	1.4%	2.7%
<b>Operating income (rec.)</b>	(16)	8	<b>21</b>
<i>Operating income margin</i>	n/a	0.6%	1.5%
<b>Capex</b>	59	61	<b>76</b>
<b>Capital employed</b>	489	509	<b>483</b>
<b>Employees</b>	5,250	4,889	<b>4,330</b>

# Considerable improvement of results in 1H'07



## EBITDA improvement: 2/3 environment – 1/3 self-help

- Strong demand in PVC and caustic soda in Europe
- Savings from restructuring initiatives
- Good contributions of downstream activities

## Implementation of new restructuring plans in downstream activities

- Pipes & Profiles: Soveplast in Chantonay (France)
- Vinyl Compounds: Shutdown of Dorlyl (France) and Novellara (Italy)

## 2H'07 perspectives:

- Demand well oriented
- Lavera plant back on stream at full capacity in 4Q
- Major maintenance turnaround in Fos
- Usual seasonality of construction market

# Strategic initiatives

# Our situation

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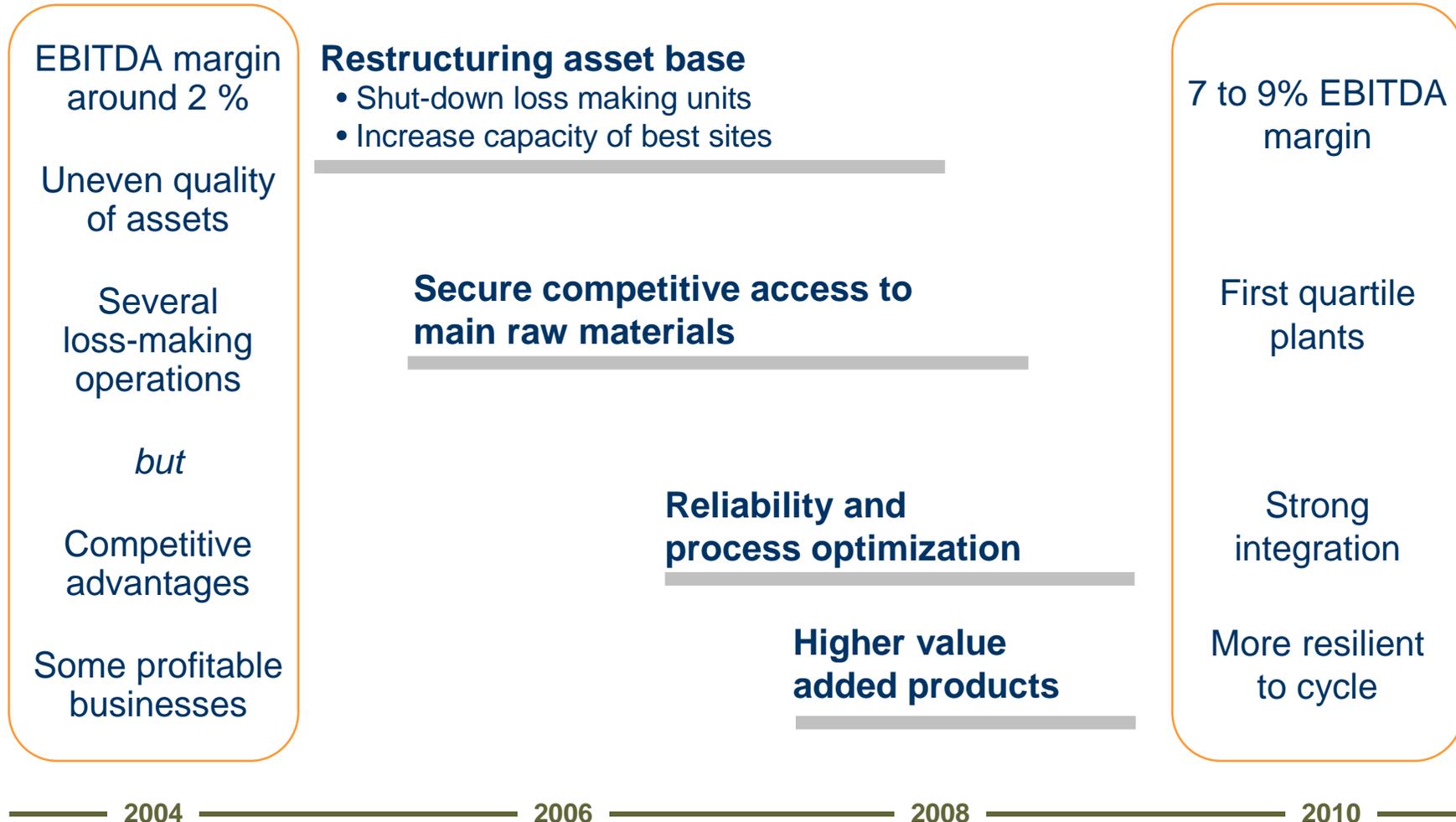
## Strengths

-  **A well integrated segment, from chlorine to PVC converting**
-  **World-scale sites**
-  **Technological expertise**
-  **Good commercial position in the Mediterranean area**

## Priorities

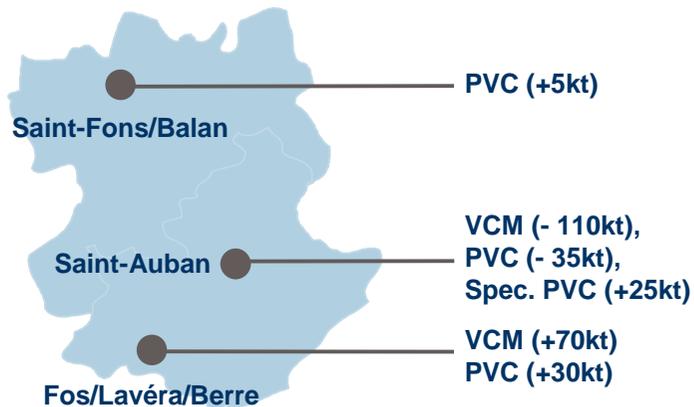
-  **Reduce fixed costs**
-  **Optimize processes**
-  **Improve reliability**
-  **Maintain long term competitive access to main raw materials**
-  **Develop higher added value products**

# A step by step profit recovery



# Chlorochemicals plan on track

## Launched in 2005



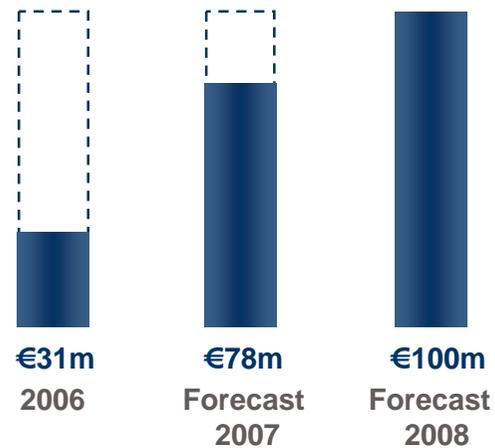
## Full impact in 2008

- Asset reallocation
- Focus on best performing sites
- Saint Auban: a PVC specialty plant
- Capex: €100m
- EBITDA impact: €40m

**(523) positions**



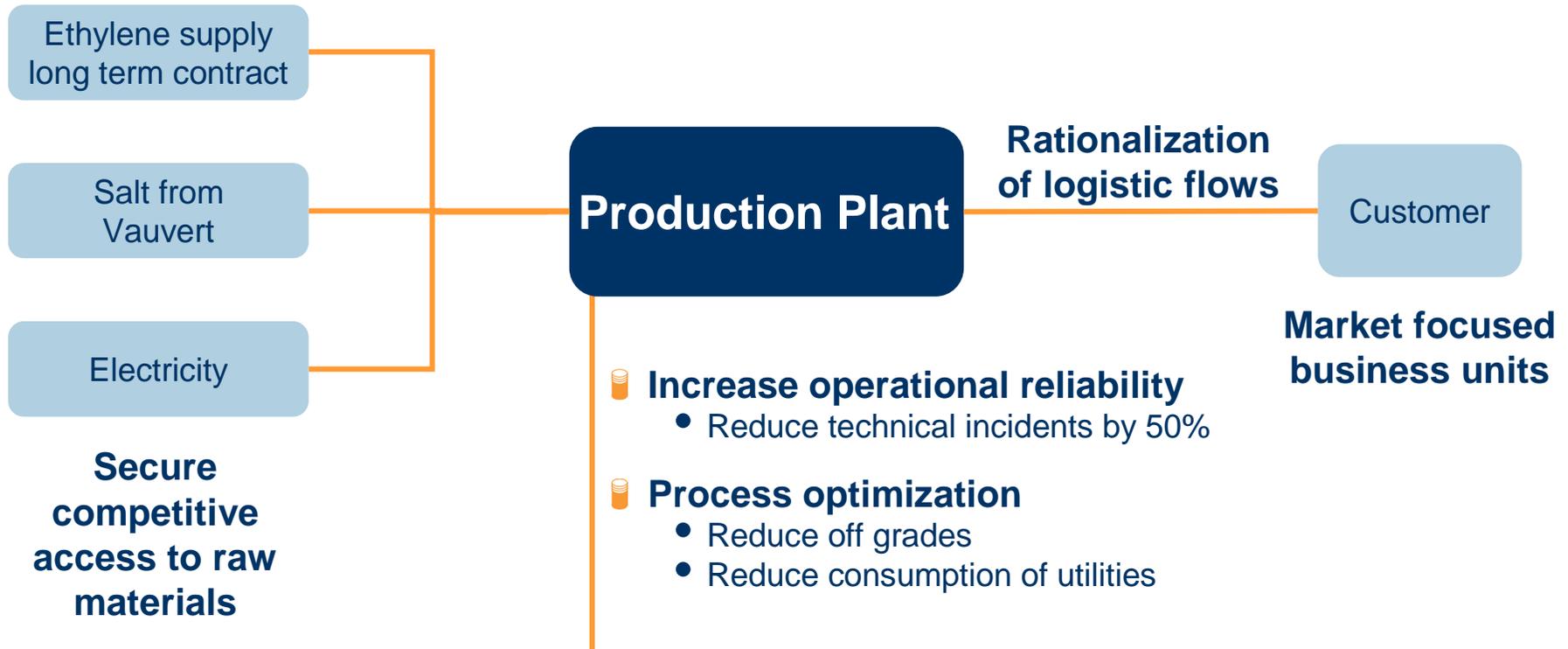
## Capex



*Included  
in NR  
pre-spin  
off items*



# Permanent improvement



## *Streamlined organization*

# Strengthen downstream

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## Close unprofitable plants

- Dorlyl (France)
  - Novellara (Italy)
- ) (76p), 2007



## Shutdown low added value products

- Soveplast – Chantonay (France)
- ) (28p), 2007



## Enrichment of our portfolio

- Focus on specialty compounds => Slush
- New range in PVC profiles => PVC/PMMA shutter Alphalux



# Conclusion

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- 📊 Major restructuring plan on track: concentration on best assets
- 📊 New initiatives launched in downstream
- 📊 Profitability over volume strategy



*Continuous focus on profitability*