

Colombes, November 26th 2008

Arkema improves further the competitiveness of its Vinyl Products segment

Arkema France presented today at an Extraordinary Central Works Council a project for the reorganization of two industrial sites within the Vinyl Products segment.

This plan includes:

- **the closure of aluminium chloride production on the Jarrie site (France) and vinyl chloride / vinyl acetate copolymer production on the Saint-Auban site (France), two structurally loss-making businesses which impact the segment's results;**
- **the adaptation of organizations of these sites to the new industrial scope, and the reduction of production costs in excess which affect their results.**

As part of this reorganization, some support functions of Arkema's Saint-Auban site would join a platform gathering several industrial players involved in new businesses, in particular the production of photovoltaic silicon. This industrial platform would enable these various players to benefit from many synergies, in particular by pooling industrial services and supply of utilities.

In 2005, a major restructuring plan was implemented in Arkema's Vinyl Products segment to restore its profitability in order to make it competitive over the long term and resilient to changing economic conditions. This plan included in particular various capital expenditures that were necessary for Arkema to remain a European leader in this sector. These €117 million investments have been carried through, and commitments in terms of regional economic recovery have been fulfilled.

Despite these efforts, certain activities are still making losses, and jeopardize the long-term competitiveness of the Vinyl Products segment. The significant changes that have taken place in the economic environment and in some markets have made a new reorganization of the businesses necessary with the shutdown of the aluminium chloride production on the Jarrie site and vinyl chloride / vinyl acetate copolymer production on the Saint-Auban site.

Saint-Auban industrial site (Alpes-de-Haute-Provence, France)

The project relating to the Saint-Auban site aims firstly at improving its economic performance by refocusing on its long-term viable industrial activities and by a complete reorganization of the site.

The project consists in organizing the industrial platform around two main players, which could then be joined by other partners establishing themselves on the Saint-Auban site at a later date:

- **Arkema Saint-Auban**, whose activities, following the closure of the copolymer units (these copolymers are used for the production of rigid film primarily for the packaging sector) and hydrogen chloride anhydrous units, would be refocused on the manufacture of PVC Paste and T111 (trichloroethane 1,1,1), and the production of hydrogen chloride from recycled chlorinated waste for third party customers.

Unlike copolymers, market conditions and the technical quality of the PVC Paste production plant on the Saint-Auban site allow us to consider the recovery and development of this business. An increase in this unit's capacity would be subject to a prospective study.

- **Arkema Interservices**, a company specializing in industrial services and the supply of utilities for the industrial platform as a whole, including Arkema. The purpose of this company would be to provide support functions for Arkema and the platform's other players in areas such as industrial health, safety, maintenance and studies, energy supply, logistics, and human resources. It would therefore bring Arkema's expertise in running chemical production operations.

The shutdown of the copolymer units and the proposed reorganization of the Saint-Auban platform would result in **the transfer of 130 positions to Arkema Interservices and the loss of 96 positions**. As regards the redundant positions, the platform's future industrial partners would offer in priority to people concerned equivalent positions to those held currently within Arkema.

Jarrie industrial site (Isère, France)

Bearing in mind the problems that the aluminium chloride business faces (aluminium chloride is used primarily as a catalyst in pharmaceutical and chemical synthesis), the reorganization of the Jarrie facility would result in:

- the closure of the aluminium chloride activity on June 30, 2009. The site would benefit from enhanced value of the chlorine that would become available (sale of liquid chlorine or production of dichloroethane);
- reorganization of hydrogen peroxide and chlorine - caustic soda production plants to optimize the competitiveness of the Jarrie site by reducing its fixed costs;
- targeted investments to improve reliability (some €7 million).

The plan to reorganize the Jarrie site should result in **the loss of 73 positions**. Arkema will use every means available to promote mobility, redeployment or professional retraining for all employees concerned by the plan. **A solution has already been identified for over 70% of the personnel potentially concerned**. In this regard, early retirement packages for the Jarrie site, entirely financed by the company, will be negotiated with the representative trade unions, in accordance with the principles agreed as part of the December 5, 2006 framework agreement.

These measures would be implemented on completion of the information and consultation process involving the personnel representative bodies.

A global chemical company and France's leading chemicals producer, Arkema consists of three strategically related businesses: Vinyl Products, Industrial Chemicals, and Performance Products. Arkema reports sales of 5.7 billion euros. Arkema has 15,200 employees in over 40 countries and six research centers located in France, the United States and Japan. With internationally recognized brands, Arkema holds leadership positions in its principal markets.

Investor Relations:

Frédéric Gauvard
Sophie Fouillat

Tel. : +33 1 49 00 82 53
Tel. : +33 1 49 00 86 37

E-mail : frederic.gauvard@arkema.com
E-mail : sophie.fouillat@arkema.com

Press Contacts:

Jacques Badaroux
Gilles Galinier

Tel. : +33 1 49 00 71 34
Tel. : +33 1 49 00 70 07

E-mail : jacques.badaroux@arkema.com
E-mail : gilles.galinier@arkema.com