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Compagnie Plastic Omnium Expands Services for Local Communities

Four major transactions

In early 2007, Compagnie Plastic Omnium announced its commitment to focusing on two core businesses—automotive equipment and products and services for local communities—and to significantly strengthening the latter.

As part of this strategy:

- **Compagnie Plastic Omnium has acquired, with effect from 1 July 2007, all outstanding shares of Compagnie Signature.**

A major player in road signage in Europe, Compagnie Signature earns €240 million in annual revenue from vertical signage, road markings, safety equipment and urban furniture. It was a wholly-owned subsidiary of Burelle SA, Compagnie Plastic Omnium's majority shareholder. Based on an independent valuation by banks, the two companies' Boards of Directors approved the price of the Compagnie Signature shares at a total €90 million, paid in cash.*

- **Compagnie Plastic Omnium is planning to form an alliance with Eurovia in road signage.**

Compagnie Signature is also in the process of finalizing a partnership agreement with Eurovia, a Groupe Vinci subsidiary that is one of the world's leading builders of transportation infrastructure. The agreement would create two companies, consolidating the partners' horizontal and vertical signage operations, which would be jointly owned through cross shareholdings. Following the transaction, Compagnie Signature would own 65% of the vertical signage business, which it would manage with Eurovia as a minority partner, and Eurovia would manage the new horizontal signage business with 65% of the capital and Compagnie Signature as a minority partner.

The agreement would offer both partners major innovation and development opportunities, as well as additional financial resources to step up growth in France and Europe.

While still subject to consultation with employee representatives and approval by competition authorities, the proposed partnership is expected to be completed in the second half of the year.



➤ **At the same time, Compagnie Plastic Omnium should complete the acquisition of Germany's Sulo Environmental Technology from Veolia Propreté.**

With €200 million in revenue, Sulo Environmental Technology is a major player in Europe in the production and marketing of household waste bins and metal containers. Its acquisition extends Plastic Omnium Environment's manufacturing and marketing presence in Germany and Eastern Europe, while broadening its services portfolio.

The transaction remains subject to approval by the competition authorities.

Following these transactions, the services for local communities business is expected to generate more than €600 million in revenue in 2008, with enhanced potential for innovation and development.

➤ **Proposed sale of a majority stake in 3P**

Separately, Compagnie Plastic Omnium is in exclusive negotiations to sell its Performance Plastics Products - 3P to private equity fund Osiris Partners, in association with company management. By acquiring 72% of 3P, Osiris Partners and 3P management are expected to give the company the means to significantly enhance its growth potential.

The proposed sale is subject to consultation with employee representatives.

2007 interim results

Consolidated revenue amounted to €1,246 million for the first six months of 2007, an increase of 3.1% as reported and of 7.2% at constant scope of consolidation and exchange rates. Growth was led by the automotive equipment businesses, which stepped up their expansion in new geographies despite the slowdown in automobile production in Western Europe.

This expansion should gather further momentum in coming years thanks to extensive new order intake and new plants opened in emerging markets. Following the April 2007 creation of YFPO, China's largest bumper designer and manufacturer, and the start-up of a new plant in Argentina, Compagnie Plastic Omnium expects to build new plants or expand existing facilities in India, Russia, South Korea and Poland over the next 18 months. With China, these countries should account for 10% of consolidated revenue in 2010, compared with just 2% in 2006.

As announced, operating profit declined by 22% to €48 million for the period, and represented 3.8% of consolidated revenue.

Operating margin of the automotive equipment businesses remained firm at 4% of revenue.



In the Environment division, however, margins temporarily experienced a sharp decline. In order to accelerate organic growth and the integration of new acquisitions, the division restructured its production base by closing its plants in Telford, UK and Valencia, Spain, while also deploying a new integrated supply chain. These initiatives weighed heavily on first-quarter results, but are expected to have a favorable impact in the second half.

Net profit amounted to €30 million, unchanged from first-half 2006.

The first six months of 2007 also saw the sustained reduction in debt through free cash flow, in line with the model implemented since 2001. The net-debt-to-equity ratio stood at 49.6%, compared with 51.7% at 31 December 2006 and 66% at 30 June 2006.

On this basis, the acquisitions will be financed without any adverse effect on the Company's financial structure.

Consolidated data reviewed by the auditors (in € millions)	First-half 2006	First-half 2007
Consolidated revenue	1,209.4	1,246.3
Operating margin <i>as a % of revenue</i>	61.2 5.1%	47.9 3.8%
Net profit attributable to equity holders of the parent <i>as a % of revenue</i>	28.9 2.4%	29.4 2.3%
Net debt at 30 June <i>Net debt-to-equity</i>	305 66%	247 49.6%

With two core businesses that provide a balanced source of cash flow and significant development opportunities in fast growing countries, Compagnie Plastic Omnium has acquired new resources to pursue its business model in coming years, based on value creation and debt reduction through free cash flow while maintaining profitable growth.

**A summary report on the valuation of Compagnie Signature prepared at Compagnie Plastic Omnium's request by CIC and Banque de Vizille Capital Finance is available at www.plasticomnium.com.*

Investor Relations

Tel: +33 (0)1 40 87 64 49

Fax: +33 (0)1 40 87 96 62

Email: investor.relations@plasticomnium.com

www.plasticomnium.com

A more detailed presentation of the 2007 first-half results may be found at www.plasticomnium.com