Summary of Speeches
Young & Partners Senior Chemical Executive Seminar
"Strategic, Financial, and Shareholder Issues for Chemical Executives"
October 16th, 2002
Yale Club - New York City

Agenda

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Peter Young, President, Young & Partners

Current Chemical Strategic, M&A and Financial Trends
Peter Young, President, Young & Partners

Case Studies in Value Creation: Achieving Success in Commodity Chemicals
Jeffrey Lipton, President and CEO, NOVA Chemicals

The Changing Relationship Between Stock Research Analysts, Companies, and Investors
Graham Copley, Senior Research Analyst, Sanford Bernstein & Co., Inc., and
Suzanne Stefany, Vice President, Loomis Sayles and Co., L.P.

The Global Economic Outlook
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The Anatomy of a Spin-Off: Celanese AG
Claudio Sonder, Chairman of the Board of Management, Celanese AG

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Case Studies in Value Creation: The Successful Transformation of DSM
Peter Elverding, Chairman of the Managing Board of Directors, DSM N.V.

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Selected Public Policy Challenges for the Chemical Industry
Fred Webber, Immediate Past President and CEO, American Chemistry Council

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Hiromasa Yonekura, President, Sumitomo Chemical Company, Ltd.

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Kent Dolby, CEO, Elemica

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CEO Challenges in the Post-Enron Era
Michael P. Parker, President and CEO, Dow Chemical Company

Corporate Governance in the New Age of Scrutiny
Toby S. Myerson, Partner, Paul, Weiss, Rifkind, Wharton & Garrison

Summary of the Speakers' Presentations

(These summaries were prepared by Young & Partners and were not reviewed by the speakers.)

Welcoming Comments
Peter Young, President, Young & Partners

This is the fifteenth time that this conference has been given. The conference has distinguished itself by both the quality of the speakers and the exceptional seniority of its attendees. This is a gathering of leaders of chemical companies from Europe, Latin America, Asia, Canada and the U.S. and a broad spectrum of chemistries and sectors. Young & Partners is now the largest chemical industry investment banking group in the world and also serves the pharmaceutical and biotechnology industries. We provide a wide range of merger and acquisition, capital raising and financial restructuring services to companies worldwide and we are unique in our approach to delivering these services. This conference and the fact that we have continued to add senior bankers during a period when competitors have drastically reduced their groups demonstrates our commitment to the industry and the strength of our approach.

Current Chemical Strategic, M&A and Financial Trends
Peter Young, President, Young & Partners

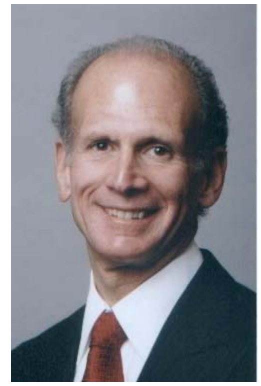
For the past several years the chemical industry has experienced difficult business conditions, even during the years when the global economy was healthy. Despite ten years of cost restructuring, revamping of business portfolios, globalization of operations, and a vigilant focus on shareholder value creation, the industry overall has not been able to escape slower growth, poor profit margins, and diminished cash flows.

This is generally a reflection of negative structural changes affecting many segments of the chemical industry; including consolidation of suppliers and downstream customers, rising energy costs, increasing competition from chemical companies in developing countries, and slower new product innovation. In 2001, the downturn in global economic growth, coupled with the ongoing negative structural changes, caused chemical industry earnings to fall severely. Although there was some improvement earlier this year, expectations of a recovery in the second half of 2002 have evaporated. In addition, the number of bankruptcies within the chemical industry continues to be high.

The total worldwide M&A volume for the first three quarters of 2002 was 49 transactions valued at $18 billion. The quarterly M&A dollar volume has been volatile, with $2 billion completed in the first quarter, $14 billion in the second quarter, and $2 billion in the third quarter. The quarterly number of M&A transactions completed, however, has been less volatile and reasonably active, with 20 deals completed in the third quarter versus 13 and 16 in the first and second quarters, respectively. Although small to medium sized transactions have clearly become more important, 5 transactions were over $1 billion in value. For more than a year, valuations have been moving sideways along the bottom of the M&A trough at lower but respectable levels. The debt and equity capital issuance continues to remain modest this year, with worldwide non-bank debt issuance of $7 billion and equity offerings worth a total of $4 billion during the first three quarters. There were no equity offerings in the third quarter.

Young & Partners believes that the chemical industry will continue to face difficult economic conditions, but the key to success will be how each company addresses the structural changes that are plaguing the industry. Also, this moderately active M&A market will allow companies to continue to restructure and rebuild their business portfolios.

Case Studies in Value Creation: Achieving Success in Commodity Chemicals
Jeffrey Lipton, President and CEO, NOVA Chemicals



NOVA Chemicals, a publicly traded commodity chemical company, has been one of the most successful companies with regard to creating value for its shareholders. The company has recognized and embraced its position as a small, but low cost player, in the highly cyclical commodity chemical industry and has focused its attention on value creation for its shareholders. During the past four years, the company's stock price has consistently outperformed the share price performance of its peers in the commodity chemical industry. The company attributes its success in the stock market to its ability to provide clear, simple, and complete messages to the public markets. NOVA Chemicals places a heavy emphasis on providing transparent financial reporting and access to senior management.

Over the years, NOVA Chemicals has leveraged its low cost position by building world-scale ethylene production sites, which has dramatically reduced the fixed costs at its manufacturing facilities. The company was also able to optimize its internal structure to maximize profitability and cash flows. For example, the company was able to reduce its cashflow cycle times and its inventory levels by making strategic investments in information technology systems. In addition, despite being a commodity chemical company, NOVA Chemicals has continued to selectively invest in technology to drive growth in certain areas. For example, the company acquired a DuPont business that came with key technologies and technology officers.

The Changing Relationship Between Stock Research Analysts, Companies, and Investors
Graham Copley, Senior Research Analyst, Sanford Bernstein & Co., Inc.

The recent legal actions being taken against investment banks with regard to the management of their equity research analysts and the corporate scandals involving companies such as Enron and Worldcom have brought about a new focus on financial disclosure regulations and the relationship between stock research analysts, companies, and investors. In trying to grasp this rapidly transforming corporate environment, one must remember that the relevant rules and regulations are constantly changing. One of the most recent results of this change has been increasing support for a separation of equity research from the investment banking operations of major investment banks. Historically, the high cost of equity research has been financed by incremental business on the investment banking side with its obvious conflicts. If there is a separation, the uneconomical cost structures of many equity research departments could lead to a decline in the number of research analysts and, more severely, a reduction in the coverage of small and mid-capitalization companies. For the chemical industry, where a significant number of small and mid-capitalization publicly traded companies, this change means it will be even more challenging to attract institutional shareholders.

Suzanne Stefany, Vice President, Loomis Sayles and Co., L.P.

The materials sector, which includes the chemical industry, is increasingly a smaller piece of the overall investment opportunity pie. Currently, chemical companies represent only 2.8% of the make-up of the S&P index. The continuing consolidation of asset management firms also means that more dollars are falling into fewer hands. As the asset managers' attention is spread over a wider landscape of investment opportunities, the chemical industry is getting less attention. So how can a publicly traded chemical company garner the attention it needs to create public interest in its stock and provide liquidity to its shareholders? As mentioned before, one of the most important keys to attracting institutional investors is transparency, since more disclosure allows investors to understand the company and produces fewer surprises and less downside risk. In the current environment, investors are highly motivated to avoid companies with "event" risk.

The Global Economic Outlook
Allen Sinai, President and Chief Global Economist, Decisions Economics, Inc.

The global economy is currently facing the likely possibility of either another recession or a prolonged anemic and jobless environment. By tracking the U.S. economy, one can fairly determine the state of the global economy since the U.S. economy has been the engine of the global economy. Despite heavy government monetary stimulation, such as interest rate cuts, the U.S. economy is far away from being up and running. In fact, the U.S. economy is undergoing an unwinding after a period of severe asset inflation. The only other instance of such a tremendous unwinding was during the 1930s. The economy is also suffering from increasingly tight credit. Although in the first half of 2002 the U.S. economy saw a certain degree of positive movement, that "liftoff" was unsustainable due to the fact that it was mainly caused by inventory replacement purchases as opposed to an expansion of the economy.

One of the major factors influencing the global economy going forward is geo-political risk, which includes events such as terrorist attacks and a war with Iraq. Geo-political risk is a major part of our current struggle in the global economy. In order for the overall economy to improve, however, geo-political risk must be removed first.

The Anatomy of a Spin-Off: Celanese AG
Claudio Sonder, Chairman of the Board of Management, Celanese AG

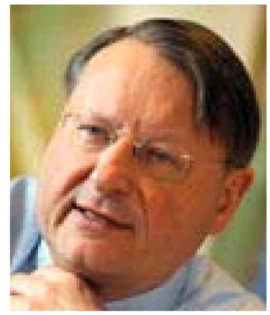
In 1999, Hoechst AG distributed shares of Celanese AG to Hoechst shareholders in order to spin-off a substantial portion of its industrial chemical business. This new entity was listed on both the Frankfurt and the New York stock exchanges. Today, Celanese is a global leader in chemicals and technical polymers with over $5 billion in sales worldwide. The company operates 30 plants in 11 countries and employs approximately 12,000 employees.

Overall, chemical spin-offs have the following common traits. They are all designed to enhance shareholder value and they are spin-offs from chemical conglomerates. These spin-offs are designed to create "pure play" companies and to allow the spun-off companies to pursue new growth opportunities. The businesses are often spun-off with substantial liabilities such as pension and environmental liabilities, and initially designed with levered financial structures. Finally, the resulting new pure play entity is often forced to act very quickly after the spin-off to change their culture, to restructure, and to initiate growth programs.

In determining whether the spin-off of Celanese was a success, the first question one should answer is whether the spin-off resulted in a successful restructuring of Celanese's portfolio and an improvment in innovations. The answer to both parts of that question is yes. For Celanese, its portfolio transformation was completed very successfully and the management was able to focus on the various strengths and weaknesses of the business portfolio and make significant changes. The company was able to add value through portfolio extensions as well as make significant investments in innovation, new applications, and new areas of activity. The second question is whether the spin-off achieved top and bottom-line growth. The answer is both yes and no. Although top-line growth is achievable through acquisitions, Celanese was not always successful in doing so. The effects of our limited success in completing transactions, however, were moderated by internal growth via new technologies and applications. In addition, while Celanese's bottom-line was enhanced by restructuring and portfolio optimization, it suffers from reduced margins due to market overcapacities. The third question is whether the spin-off has achieved the original financial goals and created shareholder value. Again, the answer to this question is both yes and no. Despite our successful portfolio optimization and restructuring, the company has experienced problems in generating cash flow and financing growth. The company inherited liabilities and experienced a certain degree of underperformance, resulting in lower ratings issued by rating agencies.

Overall, there are a number of challenges that spun-off entities have and will continue to face. In addition to the typical "homework" that needs to be done, spin-offs are young entities that are generally undervalued. The management team has to establish its credibility and show consistent strategic direction. By doing the right things, however, significant value can be created over the chemical cycle.

Case Studies in Value Creation: The Successful Transformation of DSM
Peter Elverding, Chairman of the Managing Board of Directors, DSM N.V.



DSM is a leading chemical company and among the top twenty players in the global chemical industry with net sales of approximately $8 billion in 2001. The company employs 20,000 people at 200 production sites on 5 continents. The company's main markets include life science products, such as pharmaceuticals and food ingredients, as well as performance materials used in areas such as transportation and electronics.

One of DSM's goals is to continue to expand in life science products and performance materials. DSM hopes to achieve a market value exceeding $7 billion and annual sales of $10 billion in these areas by 2005 and to establish growing, more stable earnings. The acquisition of Catalytica and, more recently, the pending acquisition of Roche's vitamins business has contributed greatly to DSM's efforts to achieve these goals by adding significantly to the company's presence in the life sciences area. The divestiture of the petrochemicals business to SABIC in 2002 was also a major step for DSM. The divestiture allowed the company to concentrate on establishing global leadership positions in high value-added activities, with a focus on advanced chemicals, biotechnological products, and specialty performance materials.

In examining DSM's path to growth through acquisitions, the company has found that horizontal and concentric integration transactions have been the most successful, while vertical integration transactions have not. One important requirement in executing acquisitions is that the acquirer should prepare for the post-acquisition integration before the deal is finalized. Lastly, successfully combining corporate cultures must be done with great care. DSM has found it useful to exchange many staff members with the acquired company to promote a healthy mixing of corporate cultures.

Selected Public Policy Challenges for the Chemical Industry
Fred Webber, Immediate Past President and CEO, American Chemistry Council

There are many ongoing challenges for the chemical industry. The issues of homeland security and energy still loom large for the industry and domestic policies have become inextricably intertwined with that of the chemical industry worldwide. While the industry must examine itself on a global basis, much of the attention in 2002 has been spent on domestic issues.

In early October, details of the much-anticipated energy bill were still being hammered-out in Congress, and hopefully the bill will make its way to the president's desk for his signature. One of the main items on the chemical industry's wish list is the protection of our combined heat and power investment until there is true competition in the local electricity markets. It is believed that this bill will move forward because it truly offers something for everyone: incentives for coal, nuclear power, renewables, and conservation. The senate will play an important role in how these and other issues will play out next year, and the industry will be carefully watching the coming election. On the international front, chemical policies will continue to be an important issue. The ultimate outcome of the EU chemical policy debate will be important, as well as the UN Environment Program regarding a "strategic approach to international chemicals management". The next two to five years will likely determine whether the chemical regulatory trends can be reversed so that there is greater consistency with regard to national regulatory requirements.

Overall, the chemical industry is tackling some of the most difficult challenges it has ever faced. The industry, however, is coming from a position of strength and credibility that is greater than ever before. If the industry continues to engage in public policy on a global scale, it will prosper and enjoy new opportunities that were previously unavailable to chemical companies.

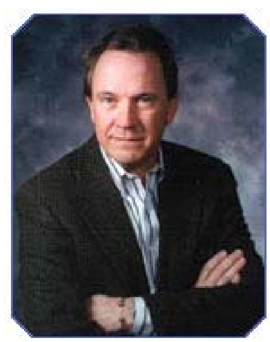
The Restructuring of the Asian Chemical Industry
Hiromasa Yonekura, President, Sumitomo Chemical Company, Ltd.

Before one dives into examining the restructuring of the Asian chemical industry, one must understand that Asia is an extremely diverse region. The dynamics of the local economy and the local chemical industry can be very different depending on the region. Trade among local economies has grown significantly as the chemical industry has become increasingly global. Many countries in Asia are expecting a continuation or resumption of solid growth in the near future. For the U.S. and the European chemical companies, Asia will be an important area for growth, especially in China. For example, it is estimated that China currently has and will continue to have the highest demand for ethylene derivatives worldwide.

In China, there have been a tremendous number of joint ventures formed and high levels of investment pouring into the country. Japanese companies, however, have generally refrained from making such investments due to the relatively immature profile of the Chinese infrastructure. For example, there are serious deficiencies with regard to transportation and administrative infrastructures in most of China. Some Japanese companies are, however, taking advantage of the low costs in China by relocating some manufacturing to China.

Whereas restructuring and consolidating activities in Korea have been substantial, Japan, on the other hand, has experienced very few mergers and consolidations. The current merger of Sumitomo Chemical and Mitsui Chemicals that is underway is the only major example of a landscape transforming deal between major chemical companies. The transaction is expected to create a leading global chemical company and strengthen the three core businesses of Sumitomo: petrochemicals, life sciences, and IT & electronic materials. The deal will also enhance Sumitomo's cost-competitiveness in petrochemicals, while expanding higher margin businesses in life sciences and IT-related materials.

E-Commerce: Where Has Value Been Created?
Kent Dolby, CEO, Elemica



Elemica is a technology company that helps companies to communicate better with customers and suppliers. Rather than helping the supplier and the customer participate in a price discovery process, Elemica's systems help both parties save money. Although Elemica is still an emerging e-business, it has increasingly become part of a business' DNA by helping companies reduce cost and transaction errors.

Elemica uses hub-to-hub connections to provide its chemical industry customers with a low-cost method to purchase raw materials. On the other end, the same connections will allow each supplier to maintain only one type of connection to all its customers, thereby creating value by reducing the high cost associated with maintaining separate connections with each customer. Elemica believes that its standardized process allows suppliers to add new projects without exponentially increasing costs and expects e-business will continue to play an increasingly important role in everyday business.

CEO Challenges in the Post-Enron Era

Michael P. Parker, President and CEO, Dow Chemical Company

The fallout from corporate America's fall from grace has been significant, resulting in skittish stock markets, a stalled economic recovery, and a flurry of regulatory and legislative activity geared at shoring up the rules of corporate governance. As stories of greed, fraud, and misuse of power continue to dominate the headlines of the world's business and financial press, issues of leadership have become increasingly relevant to all industries, including the chemical industry.

Despite the fact that the American free market system has and continues to be the greatest generator of wealth and innovation in the world, corporate leaders have lost the public's trust and are perceived as a part of an unfair system. The question to answer today is how can the corporate leaders in America win back the trust and credibility they have lost.

There is only one way to combat the crisis of credibility and it does not lie in complicated rules and regulations. It lies in a return to the old-fashioned, but far from out-dated, principals of leadership. In defining true leadership, one must start with the way one conducts oneself. Leadership is a state of mind, a set of values, and a code of conduct. It is not bestowed upon you by virtue of a title. It is earned and, once earned, it does not become a right. Leadership is hard work and it demands you pay attention to it, lest it slips away. True leadership consists of eight attributes: belief, unselfishness, energy, patience, balance, teamwork, risk-taking, and discipline. Three of the most essential attributes, however, are belief, unselfishness, and teamwork.

Simply put, you can not lead if you do not believe yourself. A leader must have a real passion for what he or she is trying to achieve – a purpose beyond mere profit. A leader can not inspire others without having that passion. The members of the organization want to know that what they are doing matters to the organization and to the broader world. As leaders we must help them see the value of what they are doing. A leader must also exude unselfishness. People will judge you heavily based on your ability to put aside your personal agenda to create success for the greater whole.

Finally, being a good leader and being a team player are complimentary skills. Good leaders value and respect the input of others, and so do good team players. In this highly complex and competitive global world in which we live, no one has exclusive rights to the best ideas. Working together, in a team environment, provides the opportunity to learn, to grow, and to reach consensus and agreement on a common path forward… leaving no one behind.

Corporate Governance in the New Age of Scrutiny

Toby S. Myerson, Partner, Paul, Weiss, Rifkind, Wharton & Garrison

It is evident that there will be a new global standard that all publicly traded companies will have to deal with with regard to financial disclosure and corporate governance. The new regulatory regime will be focused on leadership and the tone will be set at the top of the corporate structure.

One of the standards that has changed is corporate responsibility for financial reporting. Since August 2002, a company's CEO and CFO or persons performing similar functions are each required to certify the financial and other information contained in the company's quarterly and annual reports filed with the SEC. This rule and others, such as ones requiring greater disclosure of transactions involving management and changes in the composition and role of independent directors and audit committees of the board, have placed heavy burdens on the management of companies and their boards of directors. Other changes will increase the cost of the administrative activities of publicly traded companies by increasing the amount of information that needs to be prepared and shortening the time between reporting periods. One unintended consequence of these regulations may be to discourage foreign companies from listing or maintaining their listing in the U.S., although many of these changes will migrate from the U.S. to other countries.

As a result of these regulatory changes, companies should establish an appropriate "tone at the top" and maintain an open door policy. The management should remain actively involved in the disclosure process and continually evaluate the effectiveness of the company's internal controls and disclosure procedures. Lastly, management teams need to maintain an open dialogue with the company's officers responsible for overseeing the company's internal controls and disclosure procedures, the company's auditors, and the company's audit committee.