YOUNG & PARTNERS
23rd Annual Senior Chemical Executive Conference

Strategic, Financial and Shareholder Issues For Chemical Executives

November 2, 2010
The Yale Club
50 Vanderbilt Avenue - New York City

Agenda

11:30 a.m. **Registration**

12:00 p.m. **Luncheon and Speaker**
Perspectives on Asia
David Weidman, Chairman and CEO, *Celanese Corporation*

1:00 p.m. **The State of the Chemical Industry: Strategic, M&A and Financial**
Peter Young, President, *Young & Partners*

1:30 p.m. **The Global Outlook for Petrochemicals**
Gary Adams, President, *CMAI*

2:00 p.m. **The Restructuring of LyondellBasell**
Scott Kleinman, Partner, *Apollo Management, L.P*

2:30 p.m. **Equity and Debt Markets and Financings: Stability or Turmoil?**
Stephen Floyd, Managing Director, *Young & Partners*
Mark Gulley, Senior Specialty Chemicals Analyst, *Soleil Securities Group*
Kyle Loughlin, Managing Director and Team Leader, *Standard and Poor's*

3:30 p.m. **Renewable Chemicals and Biofuels: Growth and Opportunity**
Brent Erickson, EVP, *Biotechnology Industry Organization*

4:00 p.m. **Speaker Roundtable**
Moderator: Peter Young, President, *Young & Partners*
Participants: Conference Speakers

Reception and Dinner – Saybrook Room

5:00 p.m. **Cocktail Reception**

6:00 p.m. **Dinner and Speaker Panel**
The Chemical Industry: Outlook for 2011 and Beyond

Joseph Chang, Global Editor, *ICIS Chemical Business*
Robert Westervelt, Editor-in-Chief, *Chemical Week*
Peter Young, President, *Young & Partners* (Speaker and Moderator)

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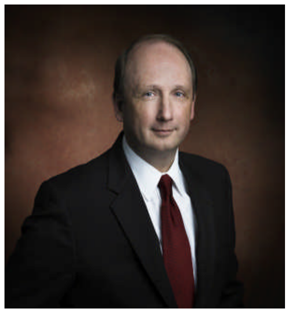
Speaker Presentation Summaries

(Summaries were prepared by Young & Partners and were not reviewed by the speakers)

LUNCHEON SPEAKER

Perspectives on Asia

DAVID N. WEIDMAN
CHAIRMAN AND CHIEF EXECUTIVE OFFICER, CELANESE CORPORATION



How should one see China from a market and competitive point of view as a chemical company?

China is a country that is changing rapidly. Currently the # 2 economy in the world, China's GDP is forecasted to eventually surpass the GDP of the United States by 2050. China occupies the #1 position in a number of key metric areas such as population size, labour force, exports and foreign exchange reserves.

From a market opportunity perspective, China has many rapidly growing markets. For example, China has over 756 million mobile phone users, the #1 global position in number of internet users, and is now the leading country in terms of motor vehicle production. In addition, the government has invested heavily into stimulation of R&D and venture investing.

These factors, combined with China's growing middle class (which was 250 million people in 2005 and expected to grow to four times that number by 2015), have made China an increasingly powerful and more significant player in the international market and competitive landscape. As such, China's growth will continue to materially impact the global chemical industry.

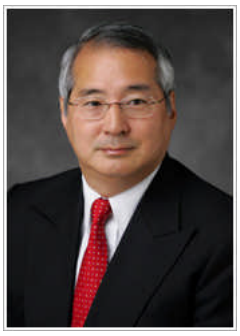
Given these trends, Celanese has invested significantly in China. Both revenue growth and workforce re-alignment plans have been underway for sometime. We project that by 2020, the Asia region (largely China) will represent more than 50% of Celanese's global sales. Similarly, by 2020, Celanese expects to have about a quarter of its global workforce in China. Celanese became involved in China with a local presence early on and has continued to be aggressive in its China expansion.

Key take aways: If you want to remain relevant as a company, you need to produce and operate in China. This is not simply because one is looking for cheap labour but because it is key to accessing a large, rapidly growing market.

In order for Celanese to continue to remain relevant in the future it has implemented a long term development strategy in Asia, which has centered on developing expandable technologies for future growth, innovating with a regional focus in mind, and engaging and recruiting with the local/regional talent in order to better understand this new frontier/marketplace.

The State of the Chemical Industry: Strategic, M&A and Financial

PETER YOUNG
PRESIDENT, YOUNG & PARTNERS LLC



It appears that the global economy has stabilized and is slowly, but unevenly recovering. Most economists project a relatively slow growth in the U.S. and Europe, and a more robust economic performance in Asia and parts of Latin America. However, there is a sluggishness of growth in the U.S. that is troubling business, government and consumers. Europe is also faltering while China has demonstrated its ability to continue to grow, albeit with significant help from government stimulus programs. After a short period of sluggish growth in the second quarter, recent economic signs show a return to growth.

The housing market continues to remain weak, and high unemployment has restrained consumer spending as well as the ability of consumers to repay mortgage and credit card debt.

Availability of credit for investment grade companies surged in 2009 and the high yield market has remained quite active in 2010, but banks are still generally cautious when lending.

On the chemical industry M&A landscape, the equity value of completed deals in the first quarter was $4.5 billion vs. $24.5 billion in the second quarter and $2.6 billion in the third quarter, for a total of $31.6 billion during the first three quarters of 2010 (versus $25.3 billion completed in 2009). As of September 30, 2010 the backlog of announced but not closed deals stood at $55 billion versus $6.3 billion as of December 31, 2009, a clear sign of a significant increase in activity. Young & Partners believes that M&A valuations hit trough levels in the fourth quarter of 2009 and have since gradually improved since then.

The financial crisis had a significant effect on the ability of financial buyers to acquire chemical industry assets in 2009. This continued in the first quarter of 2010 when only two chemical businesses were sold to financial buyers. The role of financial buyers increased significantly in the second and third quarters with the completion of a large number of deals such as the Styron sale to Bain Capital and the financial buyer-financed emergence of LyondellBasell from bankruptcy. As a result, financial buyer share of the number of deals in the first three quarters jumped to 26% of the number of deals and 46% of the dollar volume.

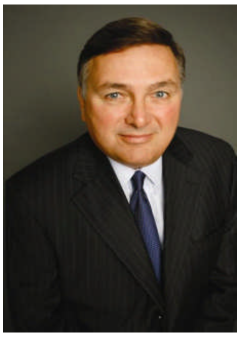
As the global economy continues to stabilize and the credit markets continue to improve, Young & Partners expects the M&A market to improve substantially in 2011.

On the financing side, debt financing activity will remain healthy and equity financings will continue to be sporadic given the weak condition of the IPO market, a negative bias towards the chemical industry, and the chemical industry's limited need for equity capital.

Although the general equity issuance market is continuing to strengthen, we do not expect it to reach the levels necessary to create a strong chemical IPO market.

The Global Outlook for Petrochemicals

GARY K. ADAMS
PRESIDENT, CHEMICAL MARKET ASSOCIATES, INC. (CMAI)



With respect to global GDP performance, we reached a trough in the first quarter of 2009 and are just now getting back on track to peak performance levels. Although a recovery is certain, from a U.S. perspective, manufacturing has been painfully slow to recover. It will take at least 5-6 years for us to reach previous peak output and we will need to relocate U.S. manufacturing to the emerging countries.

From an energy price perspective, the U.S. petrochemical future price outlook is favorable given the expectation that crude oil prices will continue to remain high relative to U.S. natural gas prices. The high crude oil & low natural gas prices will help keep U.S. producers in the game.

Currently most of the world's ethylene is made by cracking naphtha. Given this dynamic and the difference between crude oil and natural gas prices, shale gas has brought the trade focus back to North America. One cannot ignore that fact that the Middle East remains the low cost producer. However, the improved natural gas supply and cost in North America will now strenthen the export push of ethylene derivatives from North America. U.S. and Canadian ethylene producers will have an improved competitive position moving forward. High-cost producers in Asia and Europe will be under pressure to close capacity as their margins are squeezed.

Because of the difference in price between oil and natural gas, products such as ethylene, polyethylene, ethylene oxide derivatives, chlorine & caustic soda, vinyls, EDC/VCM and styrenics are highly advantaged on a cost basis. Cost advantage accrues to the integrated and "btu basis" consumer. And lower btu values mean that lower feedstock and electricity prices are a potential but not a certainty – market forces will of course prevail. Differentiated natural gas results in lower generation of C3s, C4s and BTX in steam crackers – which will change trade volumes & values.

The Restructuring of LyondellBasell

SCOTT M. KLEINMAN
PARTNER, APOLLO MANAGEMENT, LP

It is useful to review some history of LyondellBasell. First, Basell AF S.C.A. ("Basell") acquired Lyondell Chemical ("Lyondell") on December 20, 2007 to form LyondellBasell Industries ("LBI"). The equity sponsor created LBI at a value of approximately $25 billion or 5.2x LTM EBITDA. At the close of the merger, LBI had $24 billion of debt, including $22 billion of senior secured debt.

Basell and Lyondell were global industry leaders with proven track records as standalone businesses. The merger created a leading global polymers, petrochemicals and refining company and the third largest independent chemical company in the world, integrating olefin and polyolefin operations.

When the global financial crises hit, it led to dramatic reductions in demand for LyondellBasell products. Combined with falling raw material prices, reduced demand resulted in a contraction of LyondellBasell's fully-utilized borrowing base and a decline in liquidity. As a result, LyondellBasell was forced to file for bankruptcy in January of 2009.

By June 2009, LBI's capital structure brought its liquidity down to zero. Maintaining profitability through a downturn requires a detailed evaluation of a company's cost structure. In total, over $2.7 billion of cost savings was implemented across 18 Apollo portfolio companies. A $8 billion DIP facility was raised to shore up liquidity needs and a $2.8 billion rights offering was raised to provide liquidity upon exit of bankruptcy. During the bankruptcy process, the company worked to stabilize the business and improve operating performance. The company also replaced senior management with a refocused team, reduced its workforce by 3,000 employees, and announced a $1.0 billion cost reduction program. In addition, the company developed long-range business plan with a strict capital expenditure budget and approval process and did not compromise the pension liabilities. At the end, LyondellBasell has emerged as a strong, well capitalized leader in its markets.

There are a number of lessons that can be learned: 1) the liquidity you think you have is not always there when you need it most; 2) when things are bad, even bulge-bracket liquidity providers are at risk – e.g. Lehman Brothers; 3) many liquidity facilities allow agents to change reserves for determining the borrowing base ; and 4) asset-based liquidity lines are subject to fluctuations in the asset value collateralizing the facility, resulting in a borrowing base can shrink quickly when the market moves; (5) one must take advantage of significant synergies in terms of reductions in headcount, footprint optimism, procurement, logistics and infrastructure.

LyondellBasell is off to a strong start since its emergence from bankruptcy – with over $2.8 billion of cash generation since April 30, 2010. There has been significant cyclical upside in operating performance and a renewed strategic focus, through a strong new management team, headed by CEO Jim Gallogly. On October 15, 2010, LBI began to publicly trade on the New York Stock Exchange ("LYB"). The company is a likely candidate for entry into the S&P 500. Lastly, LYB is one of the few pure petrochemical publicly traded companies, making it a must-own stock for many index and mutual funds.

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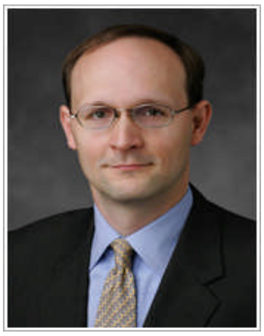
Equity and Debt Markets and Financings: Stability or Turmoil?

STEPHEN FLOYD
MANAGING DIRECTOR, YOUNG & PARTNERS LLC



The global chemical industry is quite large on an absolute basis with approximately \$2.0 - \$2.5 trillion in global revenue and \$1.5 trillion in overall market equity value. Although quite large and capital intensive, the chemical industry accounts for a relatively small part of the global economy and the global capital markets (debt and equity).

With respect to global debt financing, chemical companies are less reliant on the debt capital markets than many other sectors. Rather, chemical companies are more reliant on working capital facilities, project financing or cash balances to fund operations. Moreover, since many chemical companies around the world are owned by integrated oil & gas companies or government-owned entities, their statistical representation in cumulative total chemical debt financing may be understated.

On the other hand, the chemical sector has enjoyed a "fair share" of high yield issuance over time. One reason for this phenomenon includes the fact that financial sponsors are attracted to the industry given its "hard assets" and significant cash flow generation.

From an equity perspective, the chemical sector has historically seen relatively little equity issuance. Equity capital has tended to be relatively expensive and the IPO market (which favors "story stocks") has found few chemical companies with compelling stories that have excited the investing public. Of the few chemical IPOs that have seen the light of day, a majority have been sourced from financial sponsors, and from the fertilizer and emerging markets sectors.

For investment grade debt, expect any large near term spikes in issuance volume to come from M&A/acquisition financing. In terms of access, we expect market access to remain excellent.

In the high yield arena, as long as markets remain "open" for leveraged credits, we can expect continued refinancing, selected new LBO financings, and incremental "recapitalization" activity.

Any large future "wave" of IPO activity is likely to be emerging markets-focused. We expect a modest volume of sponsor portfolio company IPOs (e.g. Kraton) over time, particularly where an M&A sale is difficult. There is continued speculation regarding the intentions of INEOS (~BP Chemical). The vast majority of equity issuance is likely to involve selling shareholders rather than new proceeds to fund growth. Valuations for most chemical companies will continue to lag the overall market and equity capital will remain expensive for most companies in this sector (in North America/Europe).

Equity and Debt Markets and Financings: Stability or Turmoil?

MARK GULLEY
SENIOR SPECIALTY CHEMICALS ANALYST, SOLEIL SECURITIES GROUP

The macro environment is not as bad as is being advertised. With very cheap natural gas, a weak dollar, low interest rates and stimulative monetary policies it is a great time to be a US-based petrochemical producer.

In the M&A space there have been few, yet high profile, deals. Examples include CF industries acquisition of Terra Industries and the proposed hostile acquisitions of PotashCorp and Airgas.

Why hasn't there been more M&A activity? From an investor perspective, there are too many small players and, as a result, there has been limited analyst coverage on the many small cap chemical names. Consequently, investors would prefer working with a smaller number of larger names. Thus in order for M&A activity to pick up, we need more consolidation in the chemical industry.

As a group specialty chemical companies are worthy investments as a majority of them are taking advantage of the low borrowing rates and now boast stronger balance sheets. LBO'd companies like Nalco and Compass Minerals have recently refinanced their debt and there are still many chemical companies who have yet to take advantage of the low rates. On a final note and as a whole, the balance sheets of specialty chemical companies are, on average, underleveraged and provide yet another upside opportunity for investors.

Equity and Debt Markets and Financings: Stability or Turmoil?

KYLE LOUGHLIN
MANAGING DIRECTOR AND TEAM LEADER, STANDARD AND POOR'S

S&P believes that the economy is getting better and we have reached bottom. In terms of specific credit measures, the cumulative 3 and 5-year default rates from 1981-2009 were 0.6% for the Investment Grade rating categories and 1.2%, and 12.4% and 17.9% for the Speculative Grade rating categories.

Overall, access to bond and loan markets has improved in 2010. Rating upgrades have now exceeded downgrades. With respect to U.S. Corporate credit rating outlooks, non investment grade has become more stable and less negative. Given this observation, defaults are expected to decline in comparison to 2009 figures.

On a similar note, financial institutions are recovering slowly and improving their balance sheets. A recent trend in this sector has been declining total bank assets compared with increasing tier 1 risk based capital.

On the securitization front, issuances of residential mortgage backed securities, collateralized mortgage backed securities, collateral debt obligations, and asset backed securities are at all time lows, suggesting that securitization capacity is unlikely to return in the near term.

Although positive, these trends are still constrained not only by continued weakness in consumer confidence but also by the general market's pessimism over the current and future health of the capital markets. Spreads have continued to tighten as investors, the credit market, and the economy tread cautiously through this post-recessionary period. As such, recovery prospects still remain uncertain.

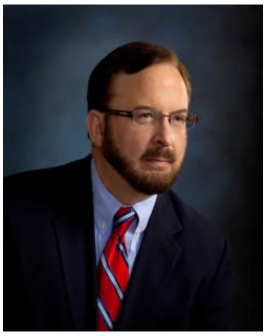
On the M&A front, activity is limited, but strategic repositioning remains a focus. Companies have curtailed discretionary outlays during the downturn, but continue to emphasize M&A to improve competitive positions.

The economic outlook is still slightly negative, but trends are stabilizing. On the bright side, we expect sequentially improving earnings, balance sheets that are in reasonable shape, and the positive effects of management actions to preserve credit quality during the downturn. Some portfolios have actually strengthened and diversified. Economic activity is strongly correlated to chemical defaults.

On the financial side, credit markets are thawing, there are more high yield bonds and leveraged loans being issued, and covenant pressures are less. Essentially, credit metrics and rating trends have stabilized. Unfortunately, the credit cycle recovery is still in early stage, and the focus remains on financial flexibility.

Renewable Chemicals and Biofuels: Growth and Opportunity

BRENT ERICKSON
EXECUTIVE VICE PRESIDENT, BIOTECHNOLOGY INDUSTRY ORGANIZATION



Advanced biofuel biorefineries are proliferating across North America and the globe. Why the rise in industrial biotech for chemicals? Industrial biotech has become a powerful driver for innovation, allowing for the use of non-petroleum renewable feedstocks which further reduces hazardous waste generation and minimizes the negative effects of climate change associated with chemical manufacturing. Examples of renewable feedstocks include: starch (sugars), hemicellulose, cellulose, lignin, oils & lipids, and proteins.

Biotech based renewable chemical platforms have evolved dramatically from their early beginnings in ethanol and corn mill technology. Today, we are witnessing a rapid proliferation of biotech based renewable chemical platforms in an array of applications. Examples include bio-derived plastics, new energy and cost efficient bio fuels, and new sophisticated bio-processes.

With respect to bio-derived plastics, polylactic acid (PLA) is the world's leading biopolymer player in over 20 applications with over 100 million pounds sold annually. Applications include fresh food packaging, beverages, durables and nonwoven fibers.

With respect to bioprocesses vs. chemical processes, it can be argued that a bioprocess is on a relative basis more flexible with respect to yield output and method of production than a corresponding chemical process. As such, these benefits translate into lower CAPEX and OPEX potential. An example is Hoffman LaRoche and DSM's use of biological processes to manufacture vitamin B2 - resulting in reduced land disposal of hazardous waste, a 66% reduction in waste to water discharge and a 50% reduction in carbon emissions and manufacturing cost.

The success of future new biobased materials will depend upon the following three factors: 1) economics & performance meet required levels, 2) product performance matches/exceeds petroleum counterpart 3) environmental aspects potentially valued as an added benefit.

To sum up, industrial biotechnology has many applications in conventional manufacturing and synthesis processes. For the most part it results in lower production costs, enhanced resource conservation and a reduction in pollution. Industrial biotechnology is a significant driver for innovation and increasing sustainability in the chemical industry. As large scale biofuels projects become mired in financing challenges, smaller scale renewable chemical commercialization is surging. Synthetic biology and algae technologies will provide new dimensions of innovation for renewable chemicals over the next 5 years.

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Speaker Roundtable

MODERATOR:
PETER YOUNG
PRESIDENT, YOUNG & PARTNERS LLC

Question:
What is your view of the prospects for the private equity players in the chemical industry?

Answers:
Kleinman, Partner at Apollo – Private equity has come roaring back after a period of difficulty. Many in the private equity world feel that this is the time to be aggressive, but Apollo is being a little more cautious. We do not think that things will snap back, but rather there will be a slower recovery with things getting back to where they should be in 2012 and 2013. With a robust credit market, pricing of deals is now high.

Question:
Things are better in the financial markets now, but are we in a bond market bubble that may burst? When things are too good to be true, it generally turns out that they were. Kyle, do you feel thqat we are in a credit bubble?

Answers:
Loughlin, Managing Director at S&P – To believe that there is a bond market bubble you have to believe that we are facing an inflationary environment. We just do not see any signs of that at the present, so we do not feel that we are in a bubble and about to face a disruption. Instead, we see a gradual economic recovery.

Question:
With 3 heads of companies on the dais, I would like to hear what they see as the economic outlook from their perspective running chemical companies.

Answers:
Kumar, CEO of ISP – From a specialty chemical company point of view I am optimistic. Profits are very strong and the consumers are seeking high performance products. In addition, there is a major surge in new middle class consumers in important parts of the world that will fuel consumption.

Nanavaty, President at Reliance Industries Limited – It is interesting that people do not focus on the fact that the economic downturn was not felt in various parts of Asia. For example, there was no real recession in India or China. The economic outlook in Asia, therefore, is going to be a continuation of the strong performance that the region exhibited even during the global downturn.

Fleming, CEO of Cytec Industries – From a macro point of view, we see a long steady incline in growth in th 1 to 2% globally. The chance of a double dip is now unlikely. But some markets will suffer more than others regionally. For example, since a portion of our business is in construction, that sector is still suffering.

Question:
Do you agree with the point of view that there are disruptive geographic structural changes that are hitting the chemical industry in terms of relative costs and relative demand?

Answers:
Adam, President of CMAI – The key will be where the most efficient producer from a cost point of view will be regionally. What is happening now is the natural and ongoing shift of costs by region that has happened over long periods. The only disruptive change is the new technology that has created low cost shale gas in North America.

Shane, CEO of Cytec Industries – All companies have to go where the market growth is. Currently that growth has shifted to Asia and particularly China. But for chemicals the reason for being in China is the market growth, not chemical manufacturing costs.

Gulley, Senior Specialty Chemicals Analyst at Soleil Securities – Looking across the companies that I follow as an equity research analyst, the winning companies such as Nalco and DuPont are shifting to the geographic regions where the growth is.

Kleinman, Partner of Apollo – Ten years ago everyone wrote off the U.S. petrochemical industry due to the Middle East, but that has not happened. Although the Middle East has certain advantages, their supply of gas is spoken for and the U.S. is now a better position in natural gas. On the other hand, Western Europe is another issue. Separately, although everyone is trying to go to Asia, China is a growing market, but it is not the best place to make petrochemicals.

DINNER AND SPEAKER PANEL

The Chemical Industry: Outlook for 2011 and Beyond

JOSEPH CHANG
GLOBAL EDITOR, ICIS CHEMICAL BUSINESS

According to the ICIS Petrochemical Index, a global basket of petrochemicals and polymers, chemicals peaked in the fourth quarter of 2008, with demand declining steeply thereafter as companies underwent massive inventory destocking campaigns. Since then, we've had a pretty robust recovery in pricing, but we are not yet back to 2008 peak levels.

We are currently observing increased tightness in many commodity chemical and polymers markets worldwide. During the financial and economic crisis of 2008-2009, companies cut back on capital expenditures and shut down marginal production facilities, leading to some of the market tightness that we see today. And since the crisis, we've had steady demand growth, led by China, without a double-dip recession. Additionally, the expected impact of the flood of Middle East capacity has not happened. Markets have so far been able to absorb the additional capacity, and start-up delays have made the flood more of a trickle. The caustic soda, titanium dioxide, and fatty alcohol markets are examples of some chemicals markets which have rebounded significantly since their decline in 2008.

With respect to macro issues, should the Federal Reserve decide to push more funds into the system via quantitative easing, US chemical producers will benefit from greater pricing power as the QE money creation puts upward pressure on commodity prices, and from a weaker US dollar, providing an earnings tailwind for those with significant exports and foreign operations.

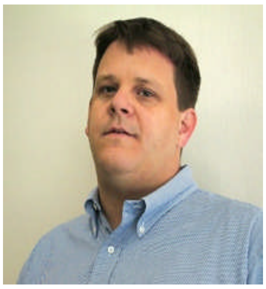
Another boon for US chemical producers is shale gas. It is more than just hype. Shale gas is the real deal and has brought the supply of natural gas in the US to over 100 years of reserves, compared to the typical 7 to 8 years of supply we had for decades. More than 20% of natural gas in the US today comes from shale gas. This industry began less than 3 years ago, so we are at the very early stages of development and production. ExxonMobil shelled out $27 billion to buy shale gas producer XTO Energy earlier this year. And much of this shale gas is rich in NGLs, or natural gas liquids, which is perfect for petrochemical production. The resulting low price of natural gas has given US producers a big competitive advantage globally and this will likely be sustainable.

Another positive indicator is that companies have much stronger balance sheets today after cutting costs, shutting down plants and emerging from bankruptcy.

In the near term, all indications point to a robust third-quarter earnings season as we progress slowly but steadily through the early innings of a chemicals upcycle.

The Chemical Industry: Outlook for 2011 and Beyond

ROBERT WESTERVELT
EDITOR-IN-CHIEF, CHEMICAL WEEK



Where we are right now? It is hard to tell, but profits are back. 2010 volume is still weak in the U.S. despite profit and margin recovery. US carload of chemicals is up 7.1% from September 2009. Profits have recovered quickly since the second quarter of 2009. Second-quarter 2010 was second-best result in ten years. Margins and prices are holding. Capacity reductions have tightened markets. US chemical profits are back. Chemicals are outpacing GDP. U.S. chemical demand levels have been reset to 2006 levels.

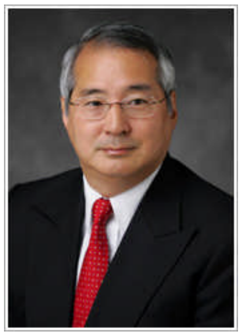
Chemical growth is now outside the U.S. and Europe. The recovery is being lead by the emerging market countries. Moreover, production and investments are heading abroad. China should outpace the US next year in chemical shipments and will thus make it the largest market for chemicals. This phenomenon will change the industry leader board. Examples include, Sinopec, which maintains a leading position in ethylene, and ChemChina, which holds global ambitions in specialty chemicals. These companies can grow to be as big as SABIC and Dow.

Despite these observations, the United States is still in the game. Shale gas is a game changer for U.S. chemical companies. Ethane/NGL is getting expensive, but is still far more advantaged than heavier feeds like naphtha. Non-conventional natural gas sources are a competitive energy and feedstock source. Only the Middle East has more favorable petrochemical economics right now.

Trends looking forward are favorable for chemical makers despite uncertainty about the broader economy in 2011 and so on. Chemical profits and production are back because of cheap feedstocks and strong exports. Consumer confidence and business confidence can't move in opposite directions forever. Profits will be very strong but demand will still lag in late 2010.

The Chemical Industry: Outlook for 2011 and Beyond

PETER YOUNG
PRESIDENT, YOUNG & PARTNERS LLC



Young & Partners believes that there will be a steady business environment in 2010 unless multiple financial and economic "wild cards" hit. However, it will be a tale of two cities as BRIC countries prosper and Western developed countries and Japan struggle to grow and revive their economic and financial health. The chemical industry will do well if the global economy and financial system is stable, but ongoing structural changes will continue to create both opportunities and challenges for chemical companies that will be specific to each company.

With regard to the stock market, we expect chemical company shares to move in general with the overall market in the future. The chemical industry continues to trade at a discount or parity to the overall market with regard to valuation and will continue to do so for some time.

On the M&A front, it is clear that chemical M&A volume has improved considerably this year with a thawing of credit, a stabilization of the economies around the world, increasing buyer confidence, more realistic price expectations by sellers, a higher confidence in earnings and cash flow forecasts, and high cash balances.

We also expect 2011 to also be a strong year for chemical M&A. Only a drop into another economic recession or a major hit to the financial system will prevent this improvement in chemical M&A.

On the financing front, equity financings will continue to be modest given the weak condition of the IPO market, the negative bias towards the chemical industry, and the chemical industry's limited need for equity capital. Although the general equity issuance market is continuing to strengthen, we do not expect it to reach the levels necessary to create a strong chemical IPO market.

We do expect continued strength in the debt financing markets through the end of 2010 and into 2011 as long as global economic and financial trends continue to be stable. However, the need by investment grade chemical companies for debt issuance will be limited, except where it is M&A related.