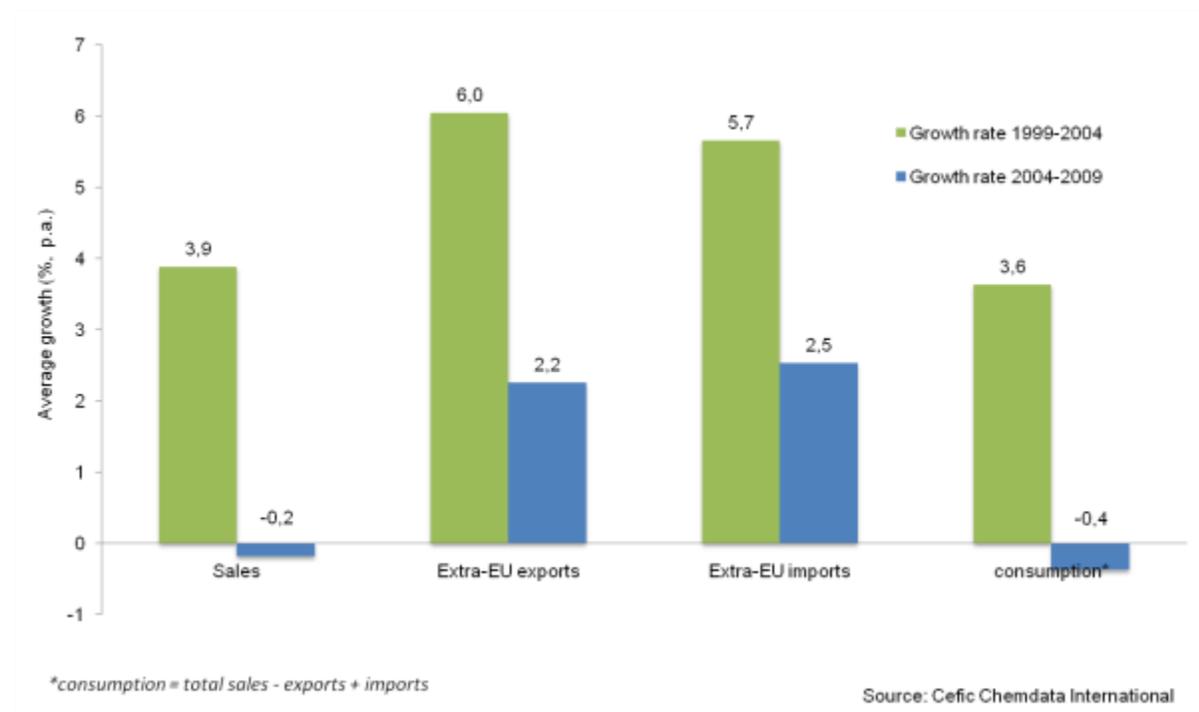
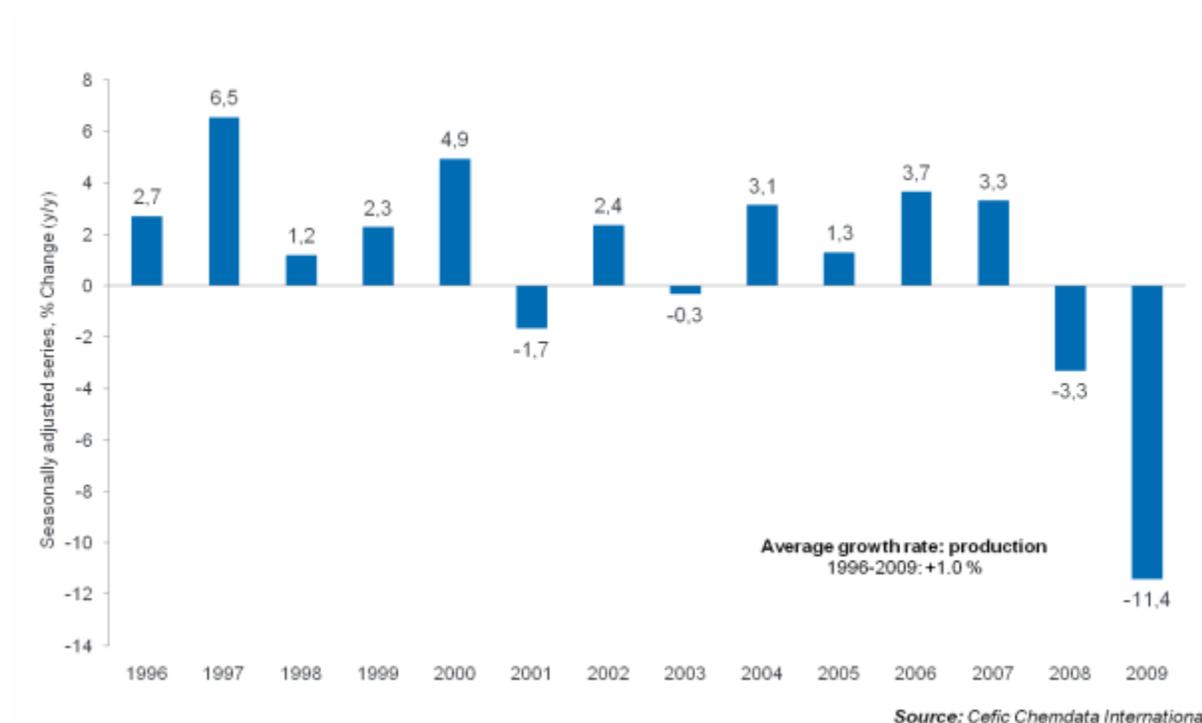


Growth

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Production, trade and consumption growth


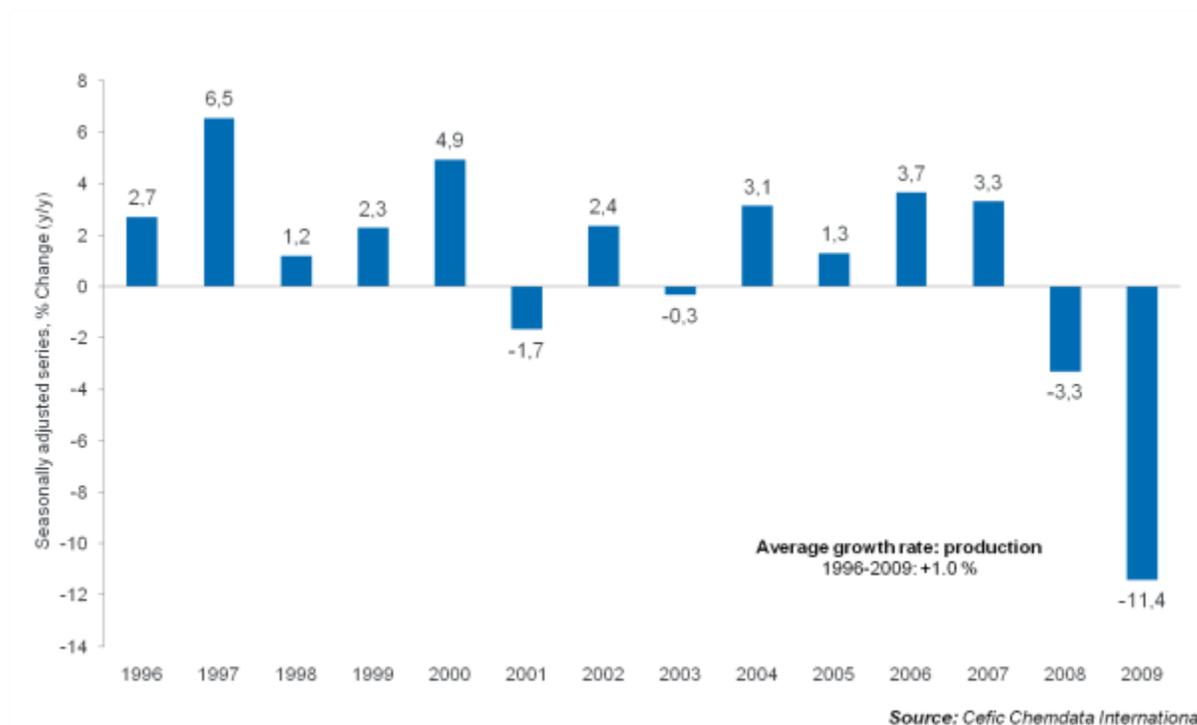
During the period from 2004 to 2009, chemicals sales and consumption registered a small decline. Chemicals sales declined slightly slower than consumption (-0.2% versus -0.4%). Import growth during the same five-year period experienced a trend rate of 2.5 per cent, slightly exceeding the 2.2 per cent trend rate of export growth.

Chemicals growth performance against total manufacturing


In the 10-year period from 1999 to 2009, the chemical industry had an average growth rate of 0.4 per cent, a rate slightly higher than the 0.3 per cent average growth rate for total manufacturing. Both averages were extremely low as compared to the long-term averages. These low growth rates were the consequence of dramatic declines in chemical production levels during the 2009 economic downturn as compared with pre-crisis level.

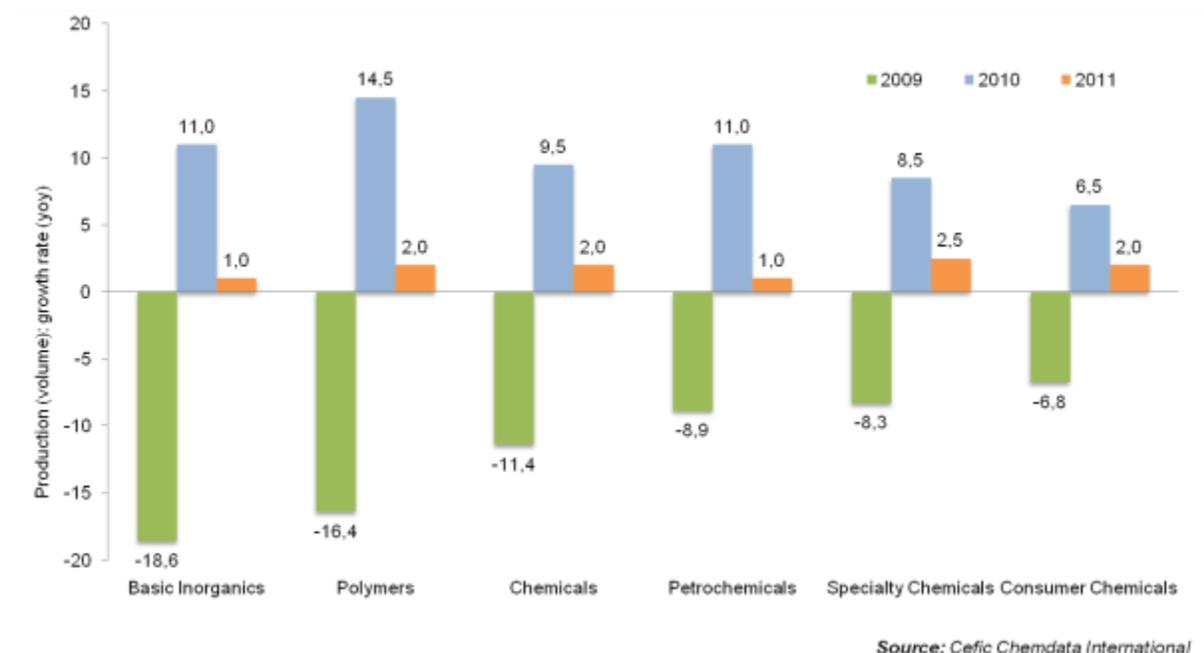
In addition to providing for current customers needs, the chemical industry is constantly developing new and improved products and processes, thus creating and serving completely new markets. This enables other industries to be more efficient and productive by using more effective substitute materials and products. Chemicals serve as input into essentially all sectors of the economy, and consequently depend on their economic performance.

EU chemicals production growth: latest trend and outlook



The EU chemicals industry was profoundly affected by the spill-over effects of the economic and financial crisis. The magnitude of the economic crisis- which started during the second half of 2008- was much more severe than expected. Many companies were certainly not expecting such a dramatic downturn. Data that covers activity through 2009 indicate that chemical companies are experiencing strong pressure on margins due in particular to the lack of demand from customers and weak consumer spending. Moreover, the European chemicals industry is facing additional pressure from competitors outside of Europe, mainly from the Middle East where new petrochemical capacity is now built-up and very likely a large proportion of its output will find its way into European markets.

All in all, the European chemicals industry reached its lowest point in December 2008; production since that time has dragged along, posting at best mild growth each month but remains sharply down compared to figures in 2008. Output in the EU chemicals industry experienced a decline of 11.4 per cent in 2009 compared to 2008.

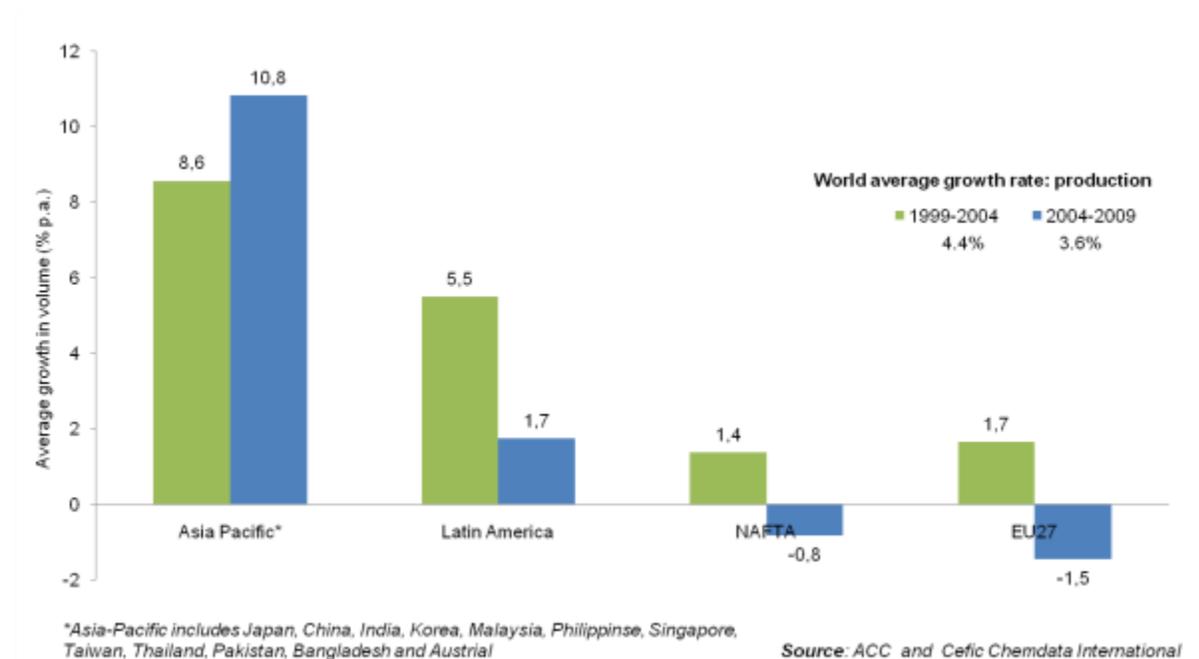
EU Chemical outlook


Looking ahead: Cefic forecasts a year-on-year production growth of 9.5 per cent for 2010 and 2 per cent in 2011 (Source, Economic Outlook, June 2010).

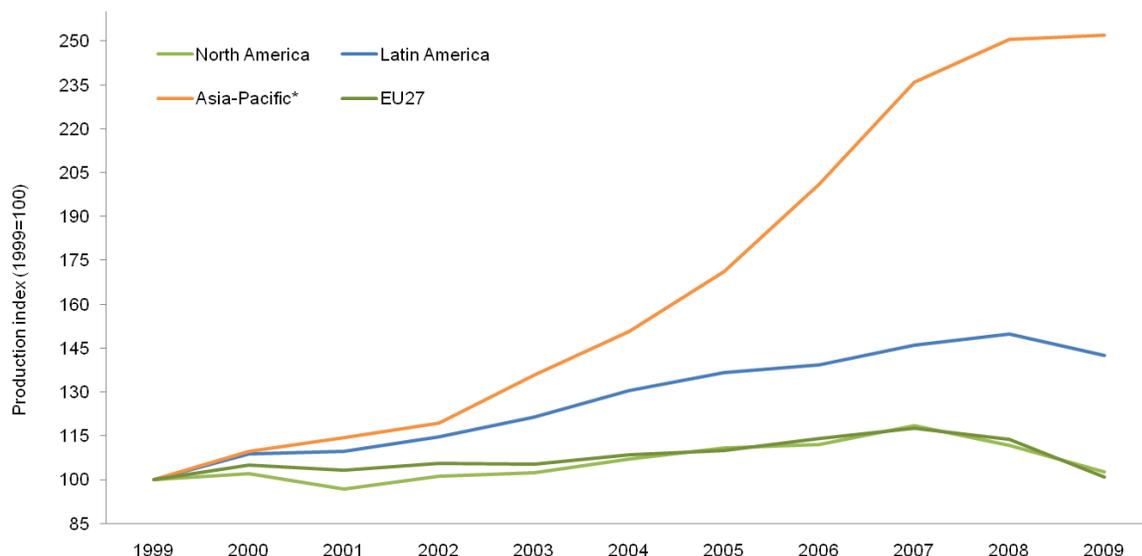
Basic chemicals sectors are now registering the fastest rebounds, but in all cases chemicals output remains well below pre-2008 levels. Growth in chemicals production has continued more strongly and for longer than was expected at the time of our November 2009 forecast. The overall economic recovery in Europe, however, remains fragile. Consequently, Cefic still expects a pause in the rate of growth of most commodity chemicals sectors, since underlying market demand must firm up. A recovery built on inventory corrections alone is not sustainable.

Surveys also indicate that capacity utilisation within the industry remains well below normal levels. As there remain significant uncertainties in the economic and financial environment, any defaults on sovereign debt could trigger renewed problems for banks who would suffer from non performing loan books. The chemicals sector would be sensitive to further economic shocks resulting from such a scenario.

The development of the EU chemicals industry will also depend on the effectiveness of consolidation measures taken within individual EU countries. The European chemicals industry continues to face relentless global competition. Access to raw materials and energy at globally competitive prices remains a prerequisite for a successful recovery.

International comparison of production growth


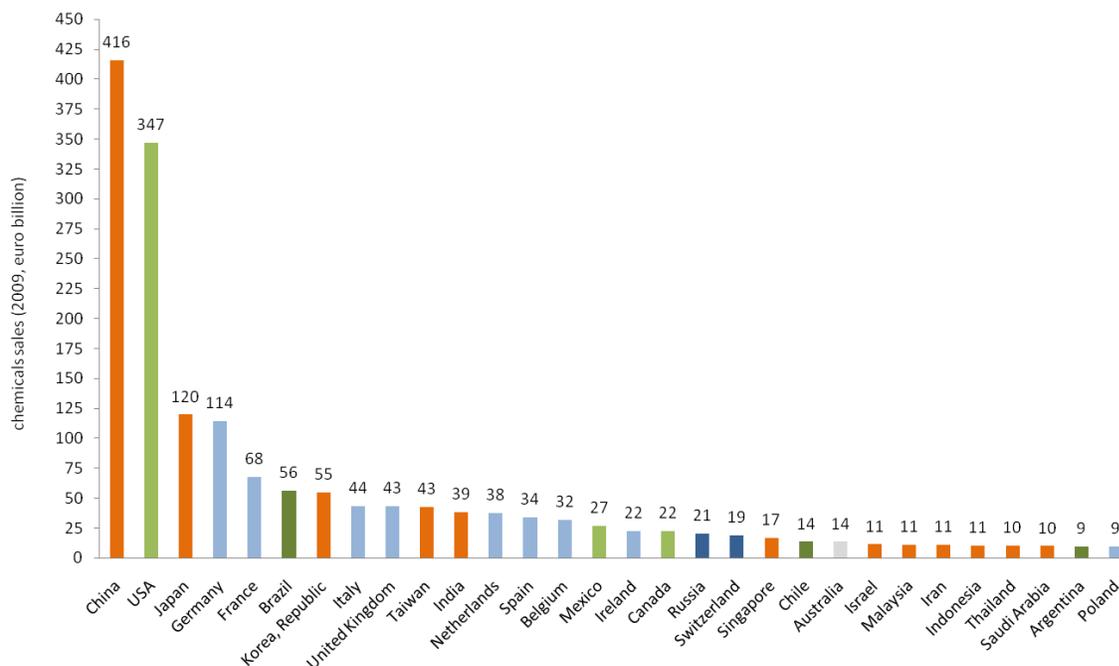
During the period from 2004 to 2009, the EU chemical industry showed the lowest growth rate compared with the biggest regions in the world. The EU chemical sector declined by 1.5 per cent, well below the world chemical industry average growth rate of 3.6 per cent. The Asia-Pacific region is booming, with average growth rates in chemicals of 10.8 per cent during the past five years. Asia is heavily influenced by the extraordinary performance of the Chinese chemicals sector and a booming economy and industrial sector.

International comparison of production growth (continued)


*Asia includes Japan, China, Korea, Malaysia, Philipines, Singapore, Taiwan, Thailand, Pakistan, Bangladesh, and Austria

Source: Cefic Chemdata International

The long-term trend for chemicals production shows that during the years 1999 to 2009, the European chemical industry showed the lowest growth, a meagre rate of only 0.1 per cent. The Asia-Pacific region registered a 9.7 per cent growth rate and Latin America posted a 3.6 per cent one, both relatively strong trend rates that began several years ago.

Chemicals sales by country: top 30


Source: Cefic Chemdata International

In 2009, the 30 largest chemical-producing countries had a combined sales turnover of €1685 billion. Twelve of the top 30 major countries are Asian, generating chemicals sales of €753 billion. This figure represents nearly 45 per cent of the top 30 and 40 per cent of the share of world chemical production. Nine of the top 30 are members of the European Union, now numbering 27 member states, and representing 22 per cent of world chemicals sales.

Sales (euro billion)	2009 sales	Number of countries	share (top 30)	world share
EU	404	9	24,0%	22%
Rest of Europe	39	2	2,3%	2%
NAFTA	396	3	23,5%	21%
Latin America	79	3	4,7%	4%
Asia	753	12	44,7%	40%
Others	14	1	0,8%	1%
Top 30	1685	30	100,0%	90%