



N. American Dispersion Resin Update

July 2009 SPI Vinyl Compounding Conference

*Beyond Polymers.
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Presentation Topics

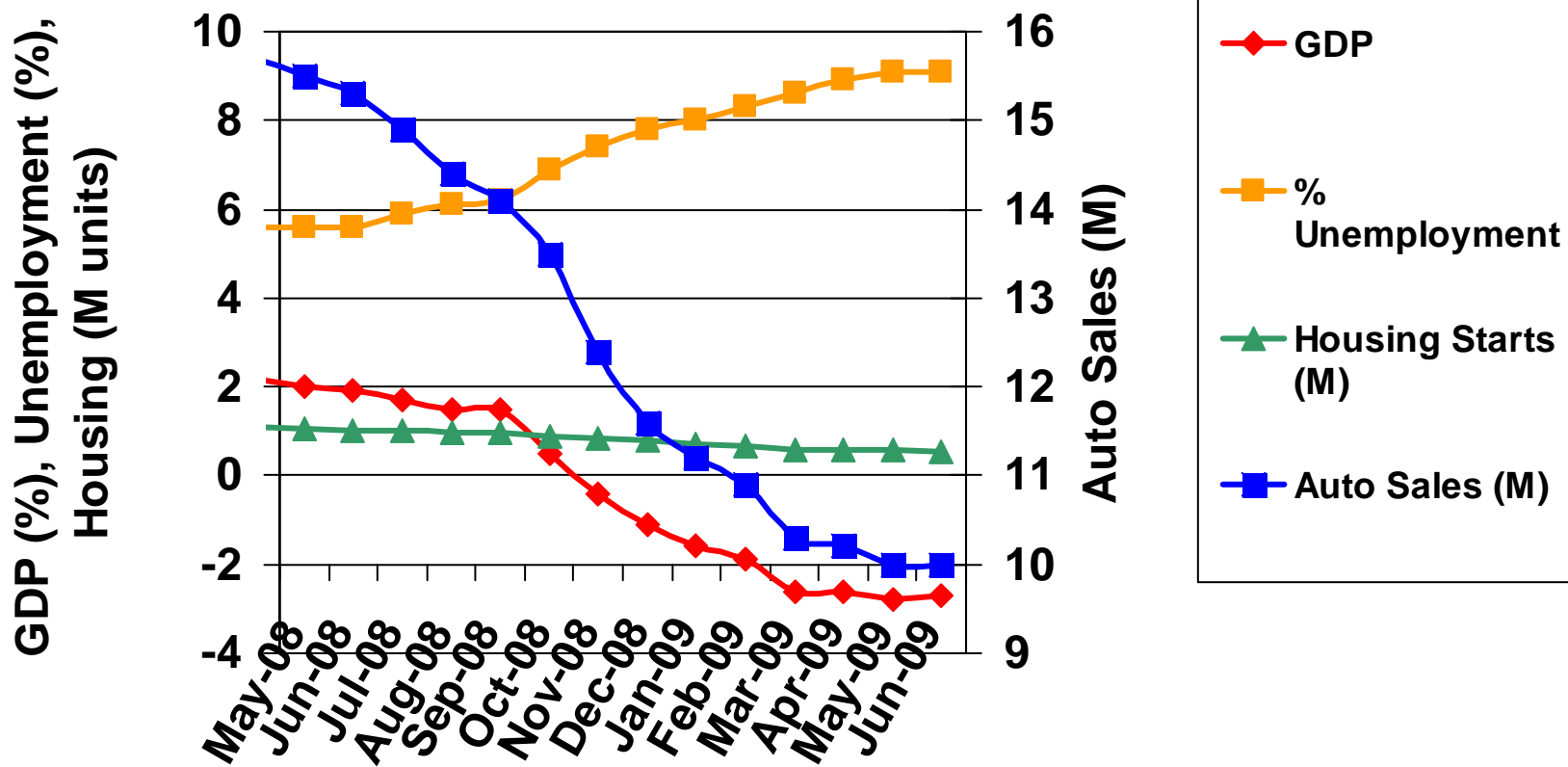
- ⇒ Economic Overview
 - ⇒ Major Economic Indicators
 - ⇒ Currency Exchange
- ⇒ Feedstocks Overview
- ⇒ Capacity Overview



Major Economic Indicators



2009 Economic Forecasts by Month



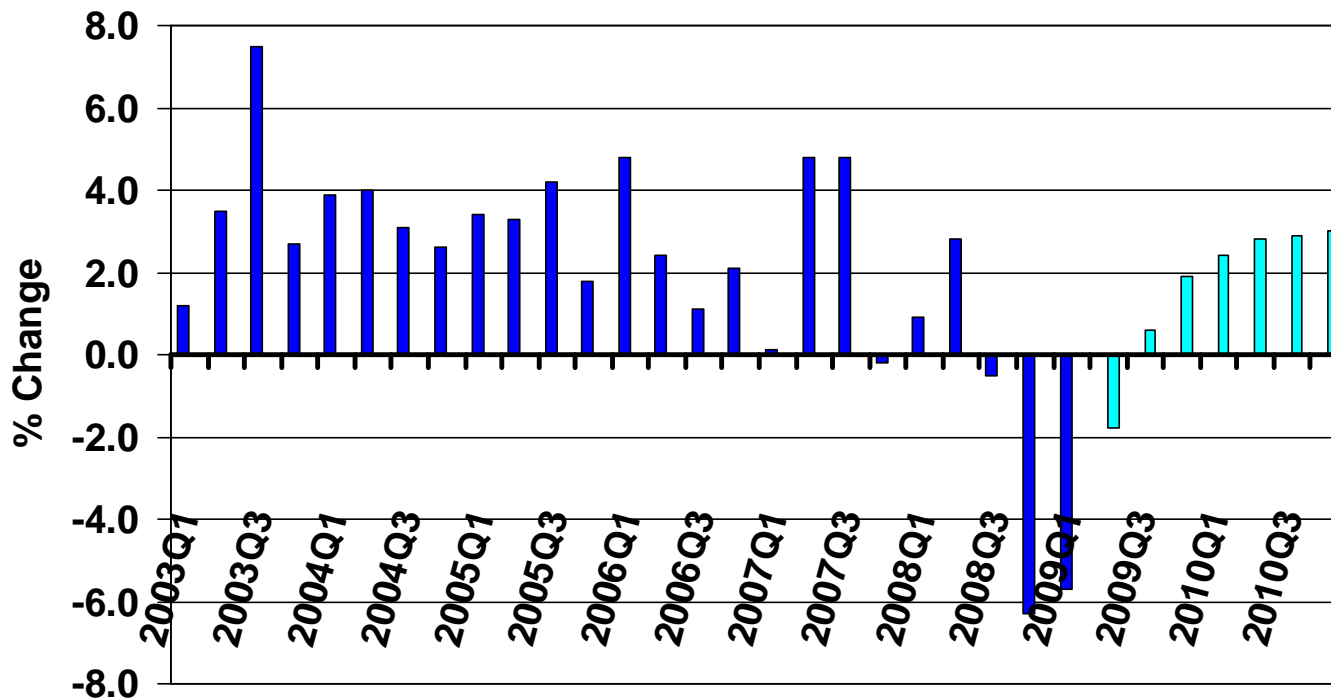
Rates of decline of key indicators have clearly flattened since March, suggesting the recession is closing in on the bottom.

Source: Blue Chip Economic Indicators – June 09



Change of US GDP

(Annualized Percentage Change from Prior Quarter)

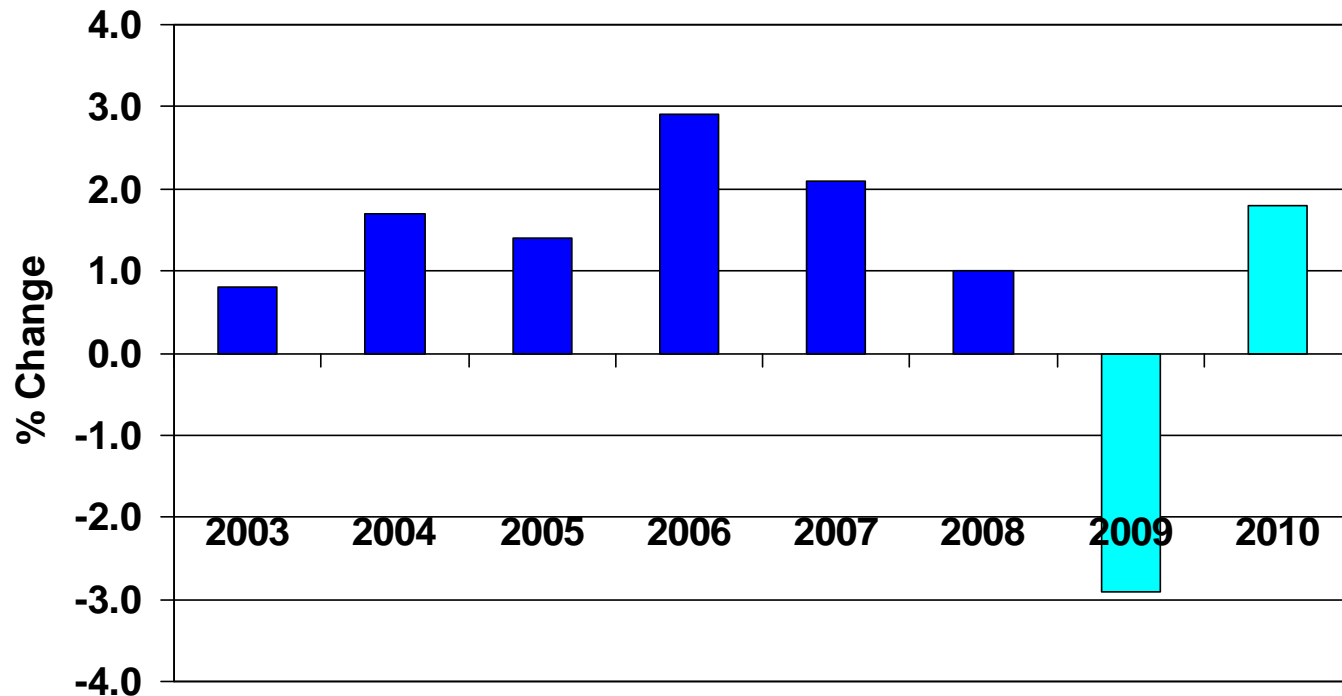


US GDP fell 6.3% in 4Q08 and 5.7% in 1Q09 after falling 1.1% for the year 2008. 2009 year-over-year GDP is expected to decline 2.7%, which is a slightly more favorable forecast (0.2%) than May. The latest 2010 GDP forecast is a growth of 1.9%.



Change of N. America GDP

(Percentage Change from Prior Year)

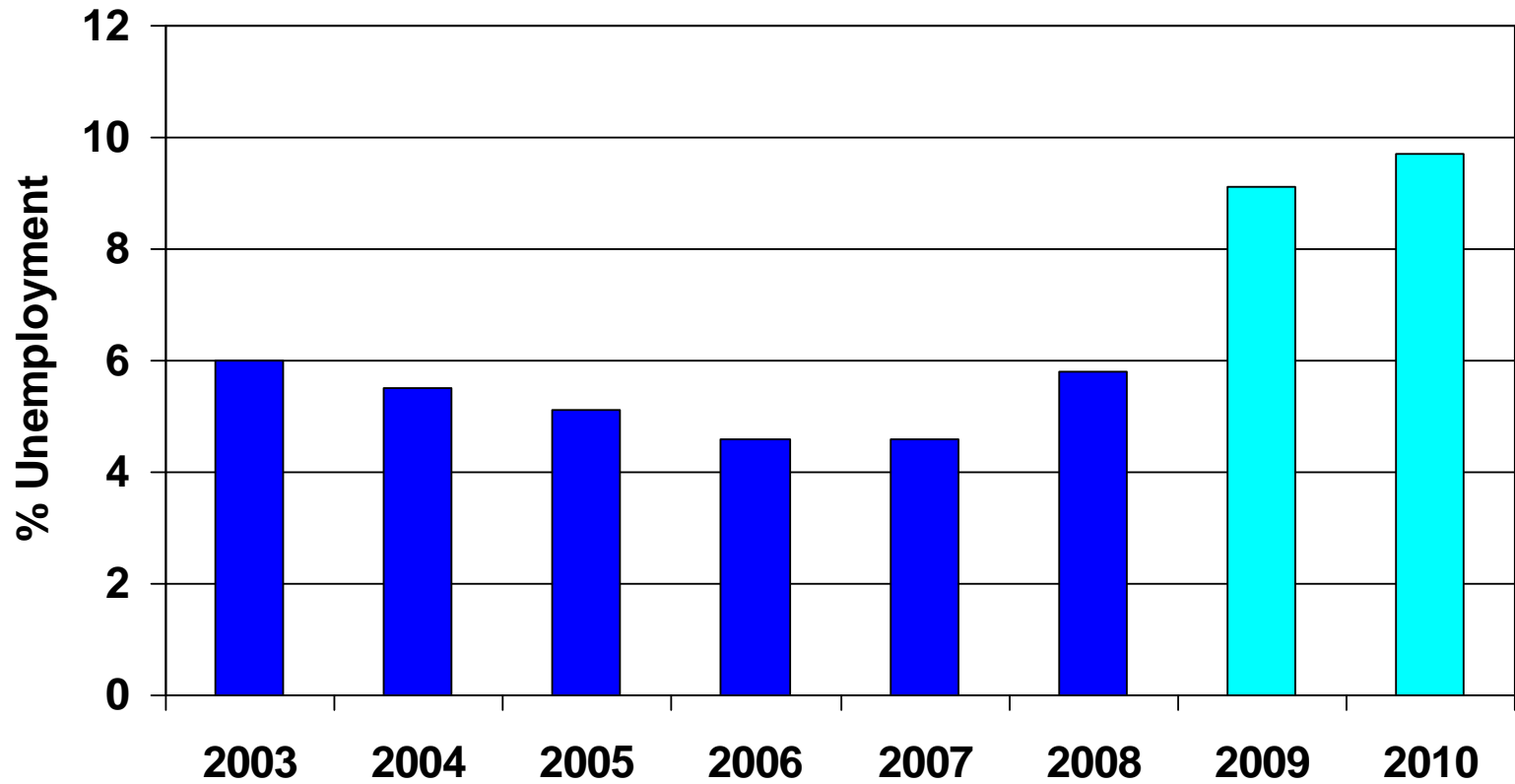


On a year-over-year basis, the combined 2008 NA GDP grew by 1% and is expected to decline 2.7% for 2009. The outlook for 2010 is a GDP growth of 1.9%, signaling a modest recovery next year.

Source: Consensus Forecasts – May 09



US Unemployment Rate

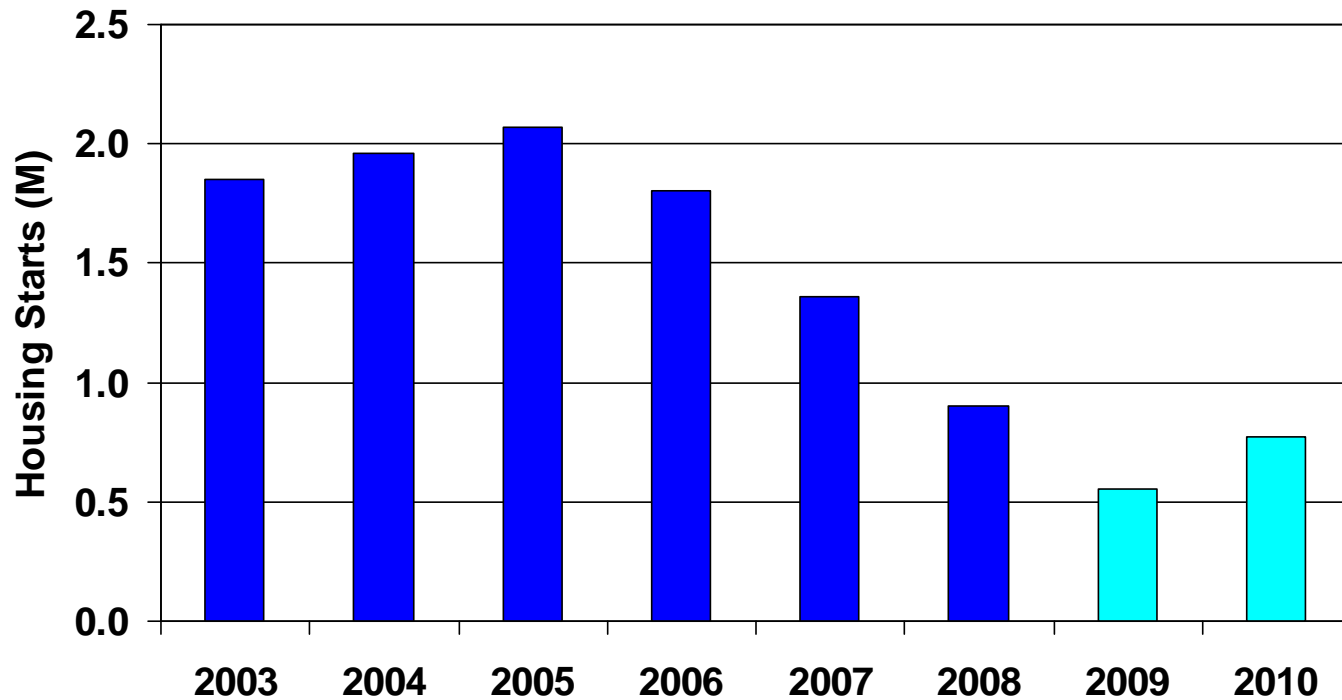


Current forecasts expect unemployment rates to peak in 2010 and remain well over 9% through 2010.

Source: Blue Chip Economic Indicators – June 09



US Housing Starts

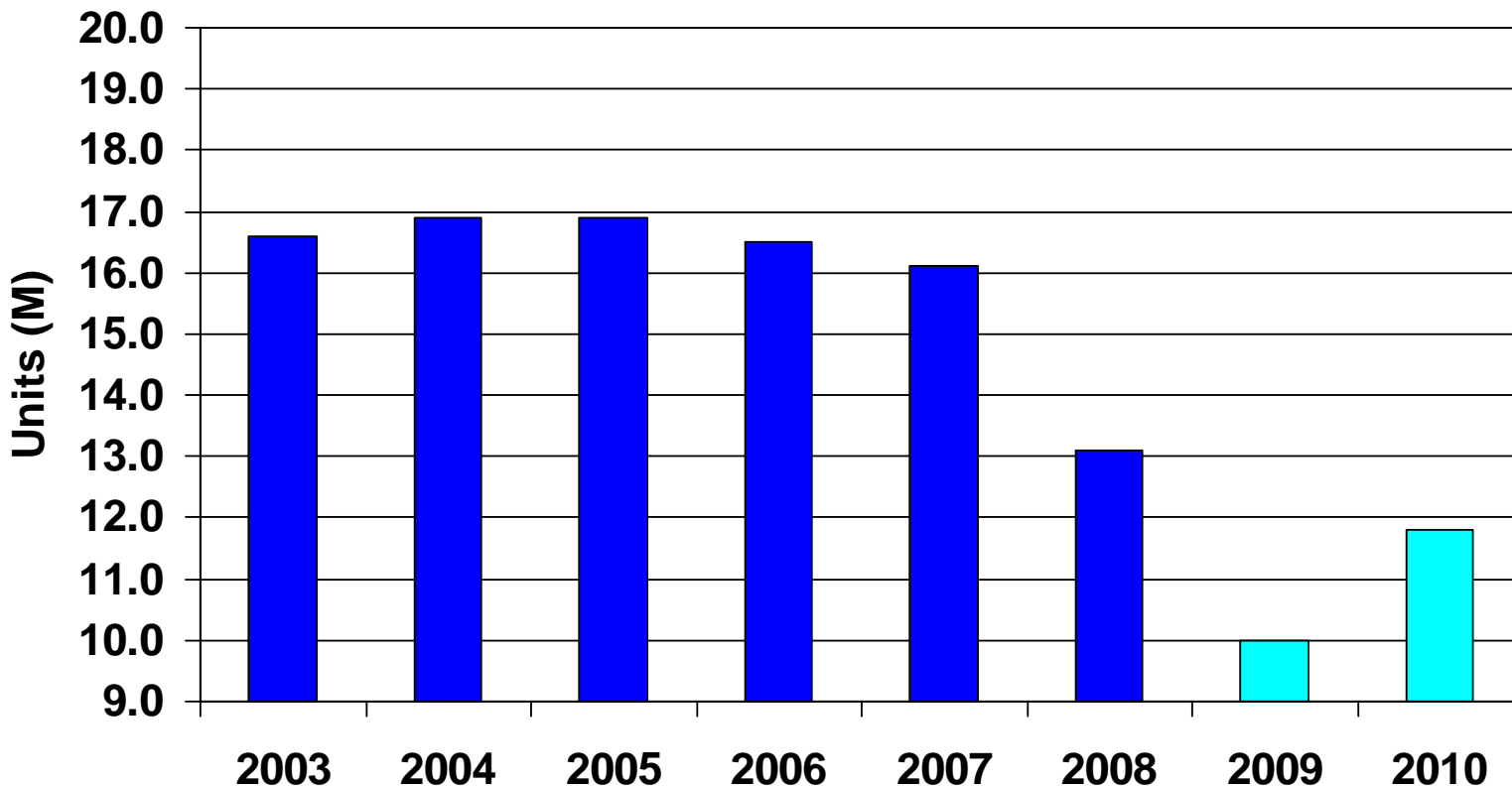


Annual starts are expected to fall below 600,000 in 2009, the lowest since 1945. Starts are expected to rise going forward, but to remain below one million units in 2010.

Source: Blue Chip Economic Indicators – June 09



US Auto and Light Truck Sales

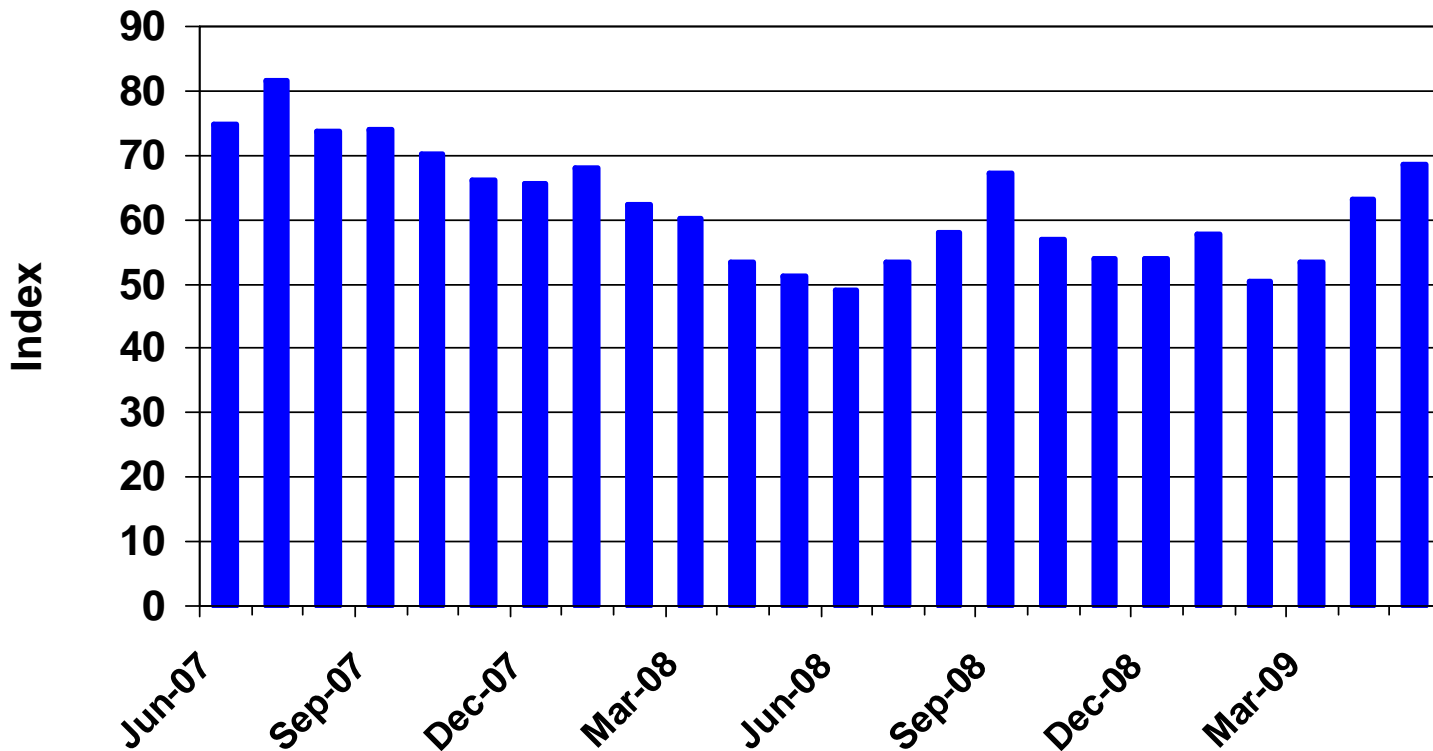


Total annual US motor vehicle production is expected to fall this year to its lowest level since 1961. US motor vehicle production is scheduled to be down 42.6% from already-depressed levels in the second quarter.

Source: Blue Chip Economic Indicators – June 09



Index of Consumer Expectations

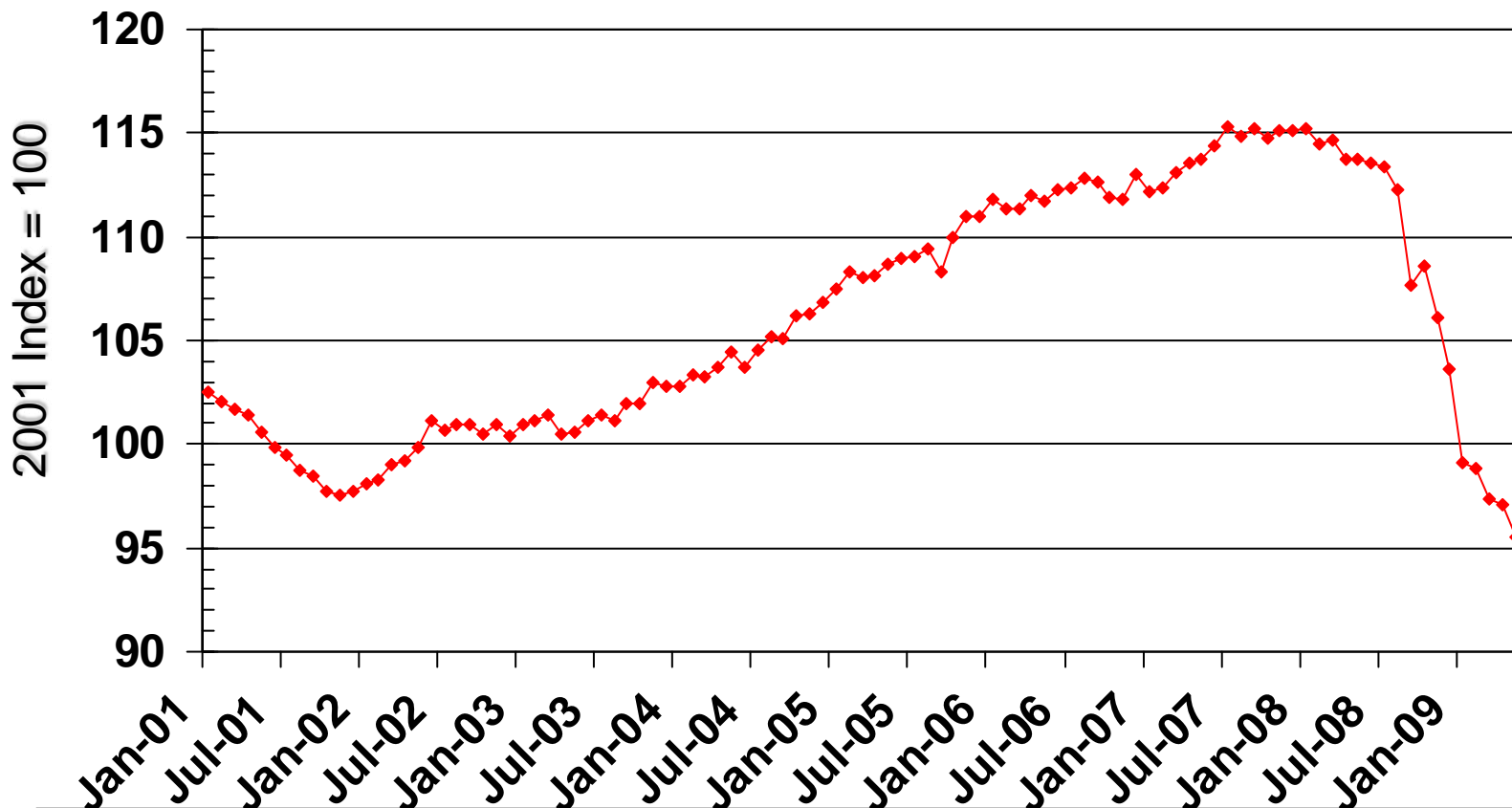


Approaching summer of 2009, consumer confidence bottomed in January, rising gradually since, tempered by the employment outlook: The 345,000 job losses seen in May are still more than jobs lost during any month in the last two recessions.

Source: Reuters / University of Michigan – June 09



Industrial Production Index – Manufacturing, 2001 to Present

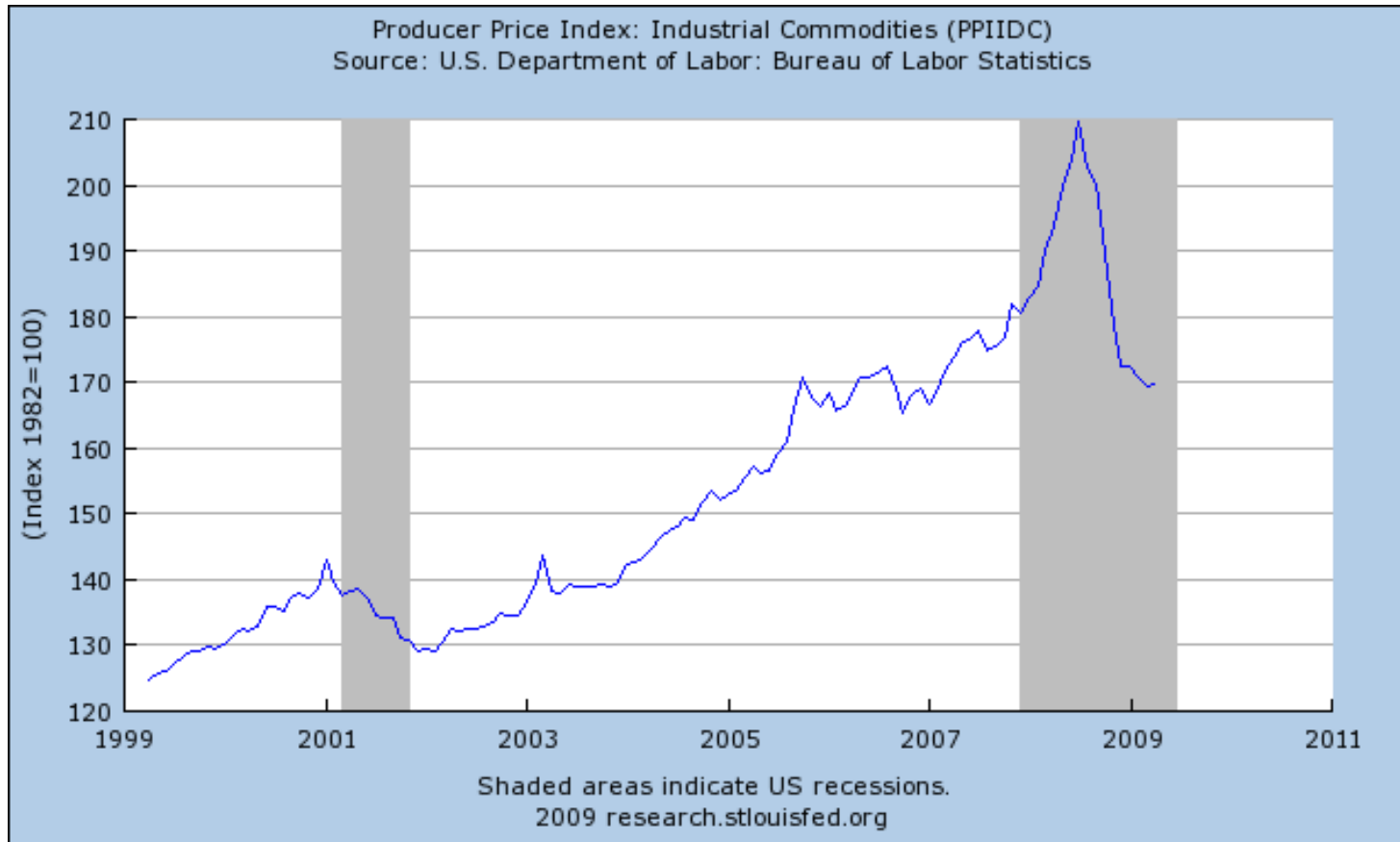


The output of the nation's industrial manufacturing production fell only 0.3% in April compared to 1.5% for March. Output has fallen in the last 6 months but this moderate to flat decline is encouraging, according to the Federal Reserve.

Source: Federal Reserve Statistical release May 2009



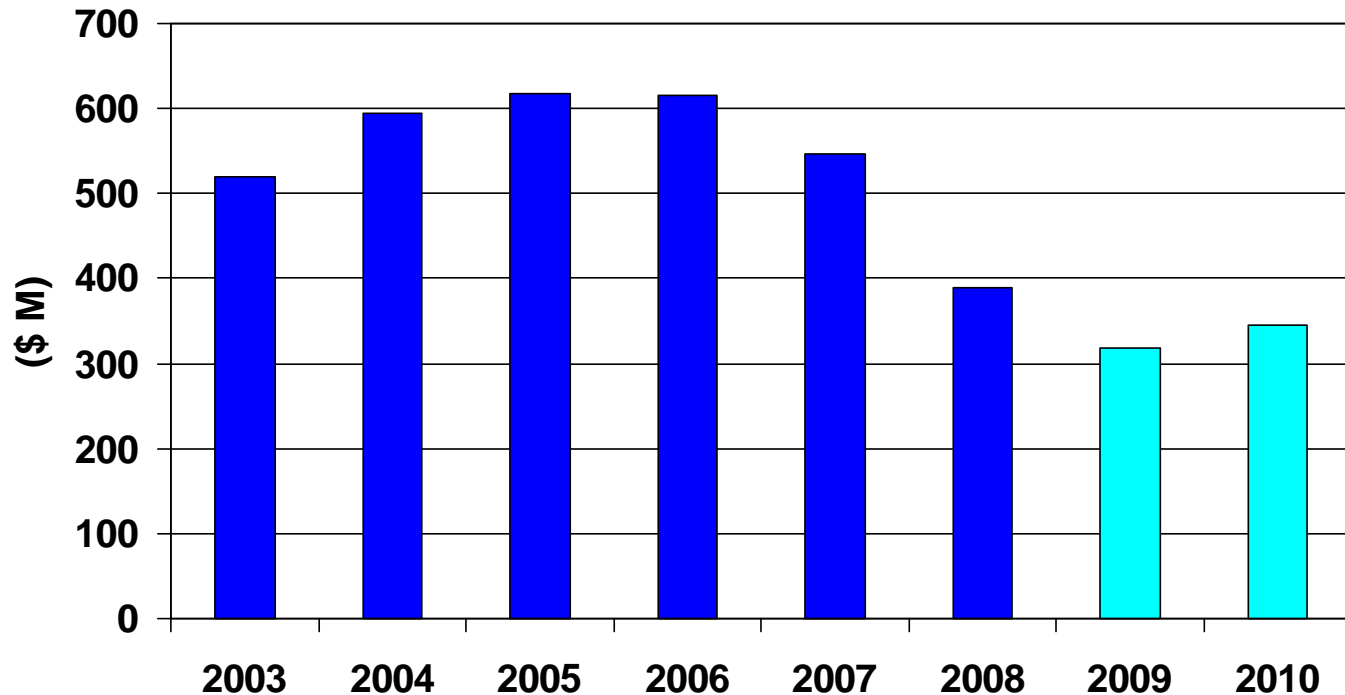
Producer Price Index



Commodity prices stabilized during the last two months, after the volatility of 2008. April data (most recent) showed a 0.17% increase but this is expected to rise sharply on the \$70 oil of early June.



US Trade Deficit



The U.S. trade deficit has shrunk since last summer, first as oil prices fell and then as the U.S. recession reduced demand for imported goods. The deficit usually contracts during a recessions, but the recent rise in oil threatens to reverse this trend.

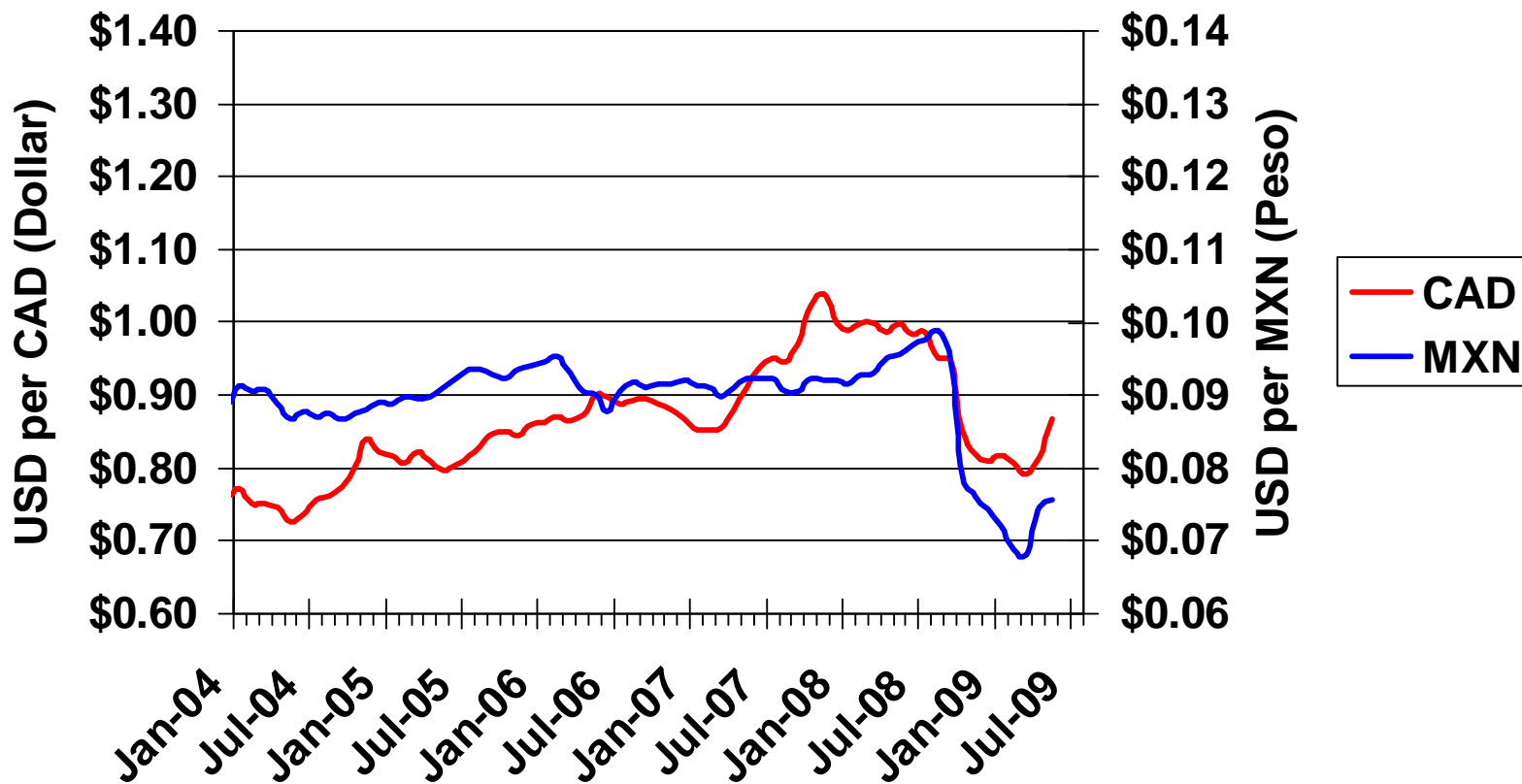
Source: Blue Chip Economic Indicators – June 09



Currency Exchange Rates



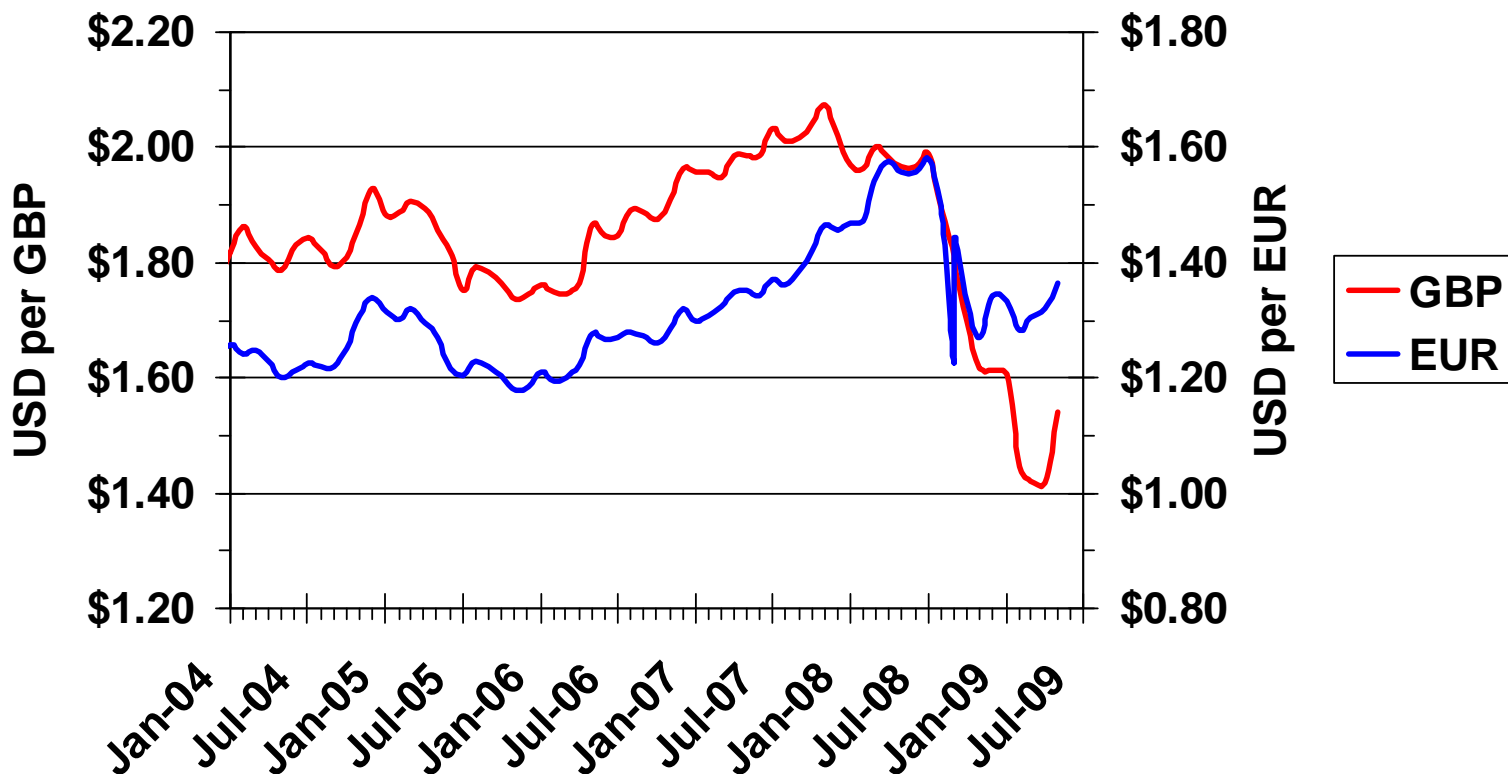
NAFTA Currency Exchange Rates: USD vs. CAD and MXN



The USD weakened against other North American currencies.



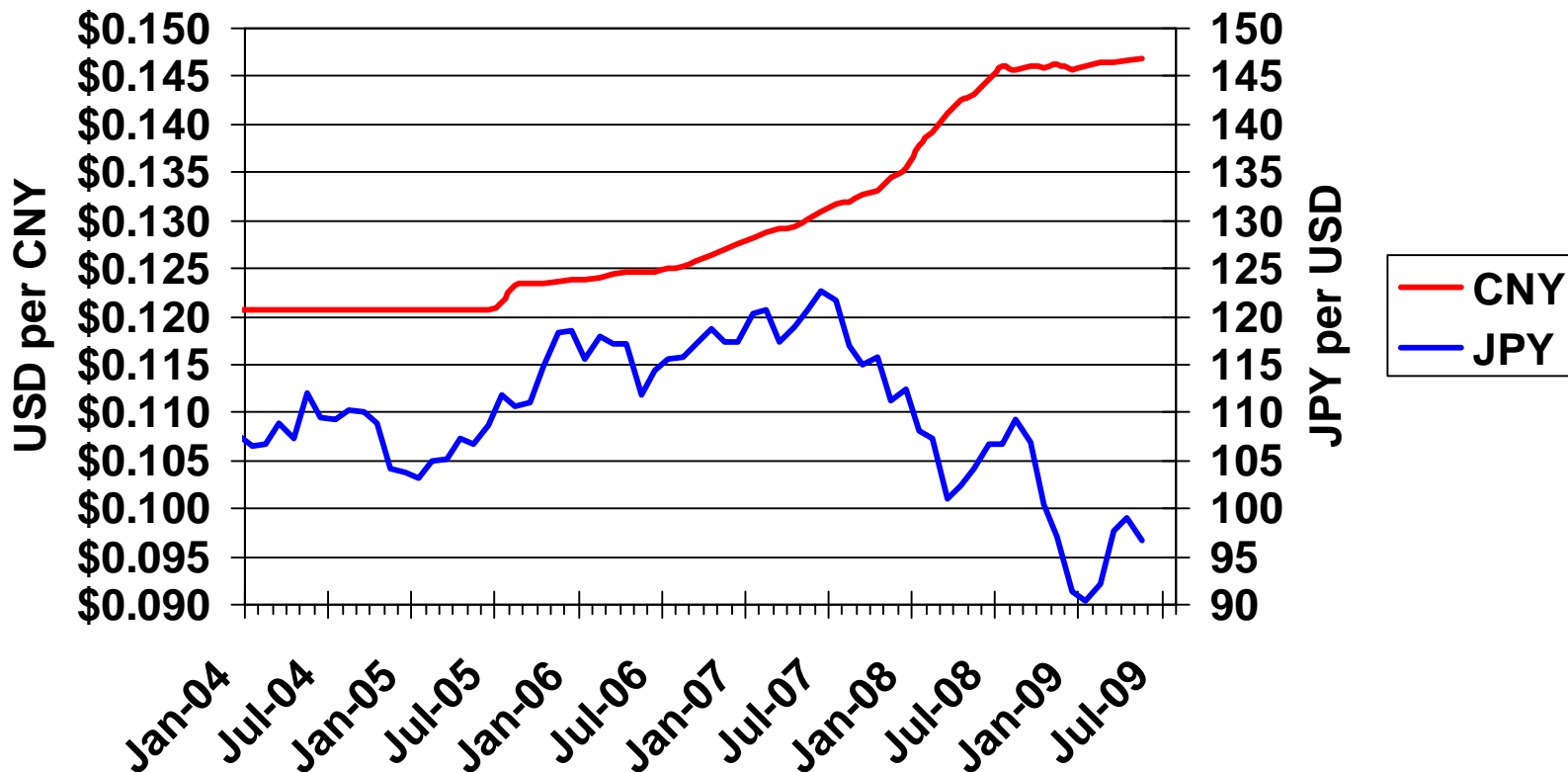
European Currency Exchange Rates: USD (\$) vs. GBP (£) and EUR (€)



A weakening USD versus European currencies reverses the seemingly baseless strengthening of the USD, which occurred during Q3 and Q4 2009 time frame.



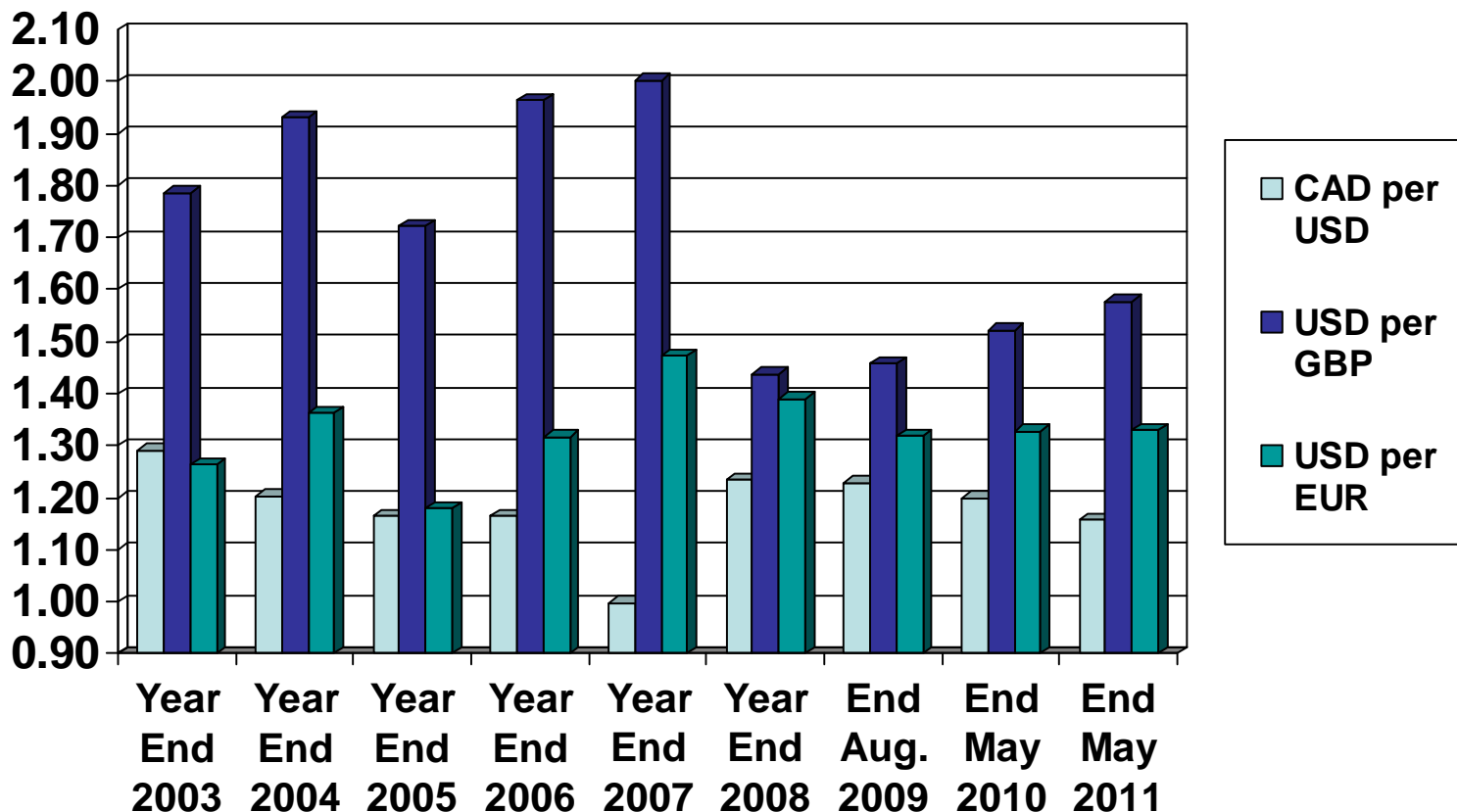
Asian Currency Exchange Rates: USD (\$) vs. CNY (Yuan Renminbi) and JPY (¥)



The CNY remains relatively stable against the USD supporting imports of Chinese goods into the US, while the strengthening Yen has reduced the profitability and competitiveness of Japanese exporters.



Forecasted Currency Exchange Rates Vs. US\$



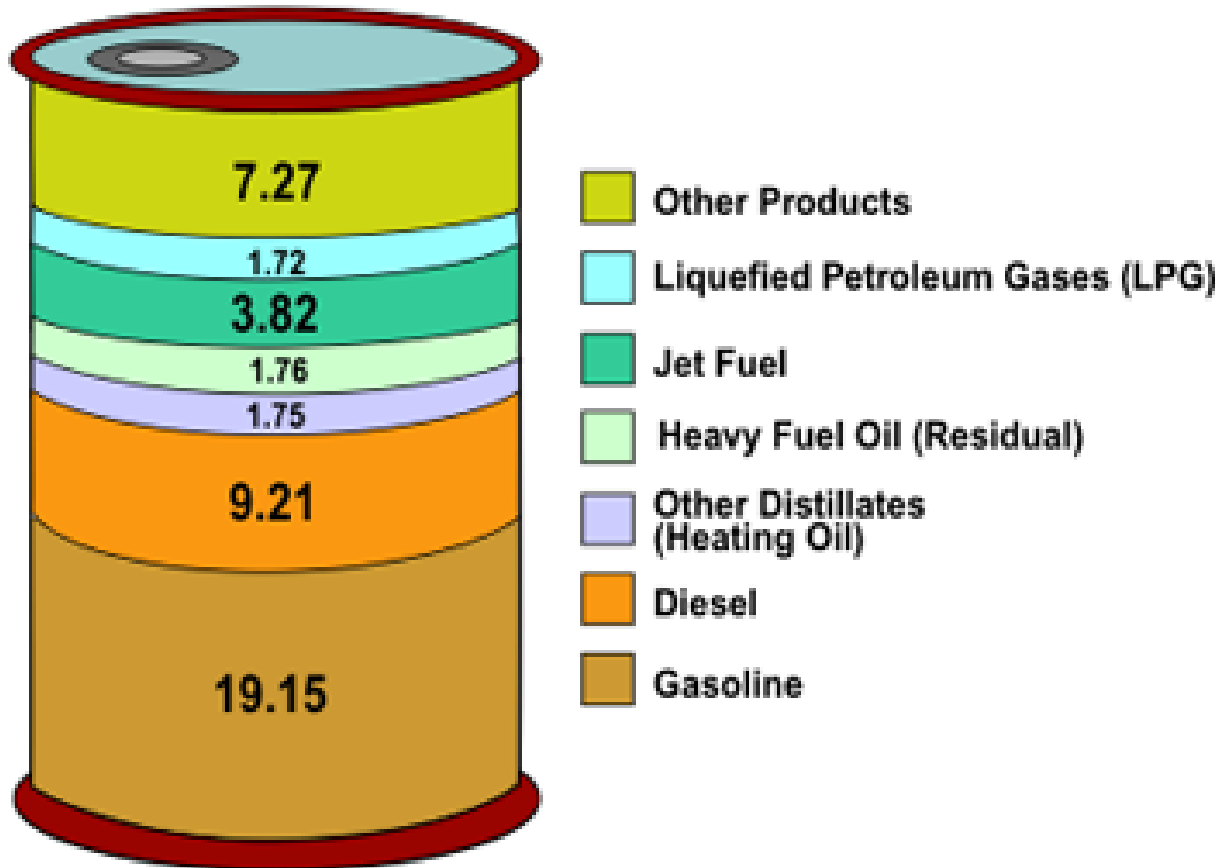
For the European currencies, the expectations are that the USD will gain about 2% versus the EUR, and a further 1.7% in 2010. In N. America, the CAD is expected to gradually weaken until 2011. Unbalanced changes in economic strength between any region will result in future forecast changes.



Energy and Feedstocks



Products Produced from Crude Oil

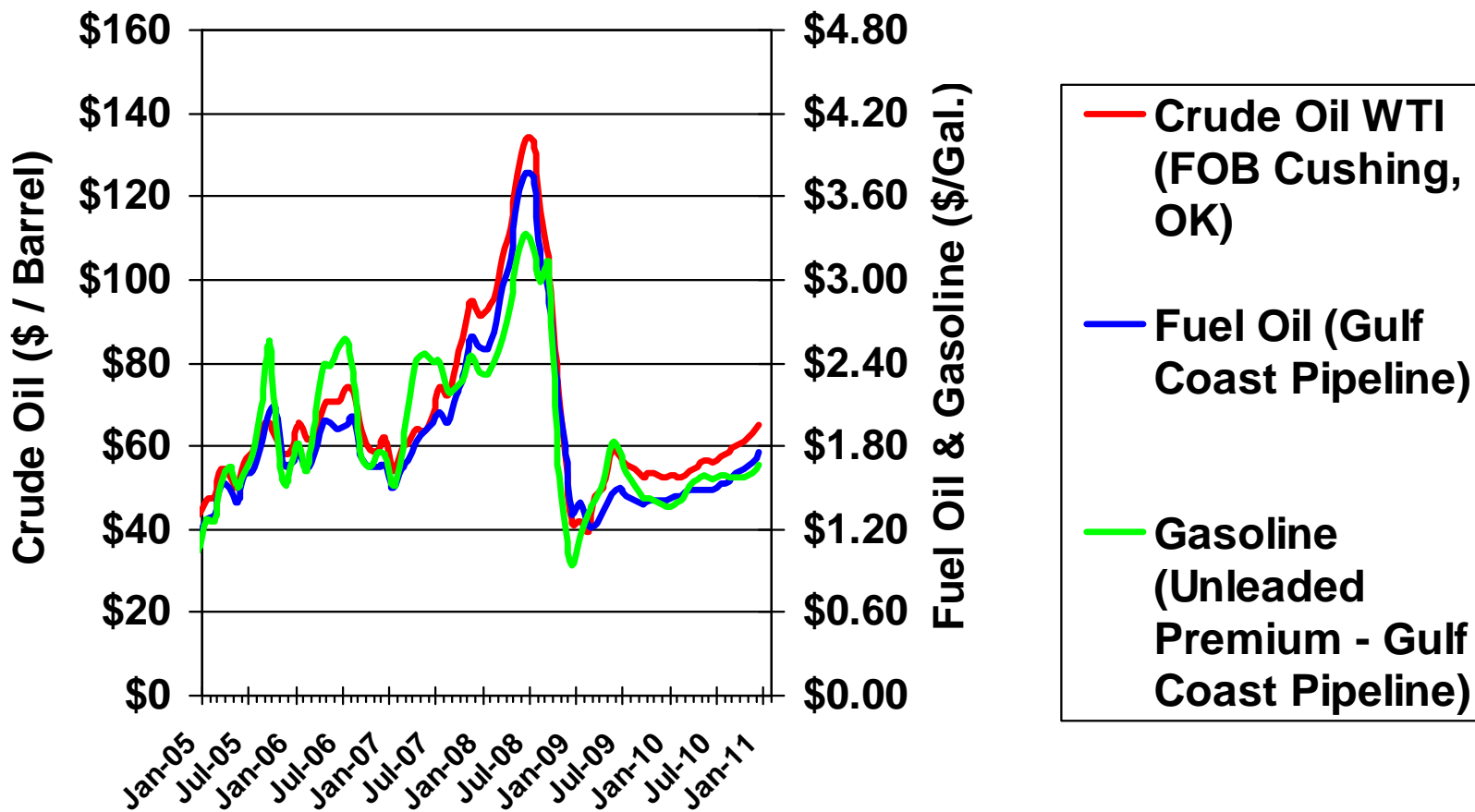


On a volume basis, only 16% of crude is used in products other than fuels.

Source: <http://www.eia.doe.gov/kids/energyfacts/sources/non-renewable/oil.html#Howused>



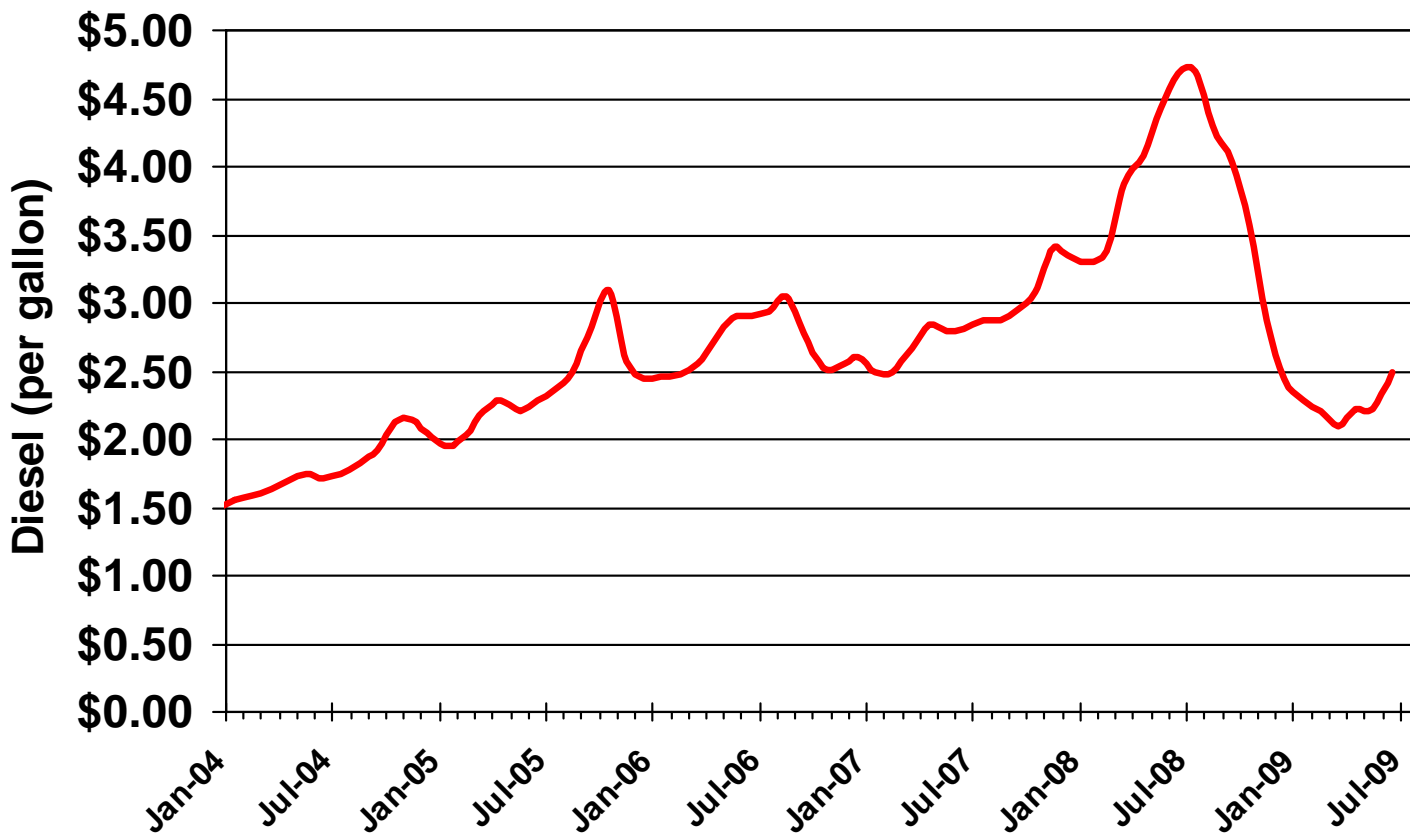
Crude Oils and Fuels



Recent rise in crude oil and crude oil products may hinder the economic recovery. A more stable price may reduce uncertainty in business financial performance forecasting.



Diesel Fuel – US Monthly Average Retail Cost

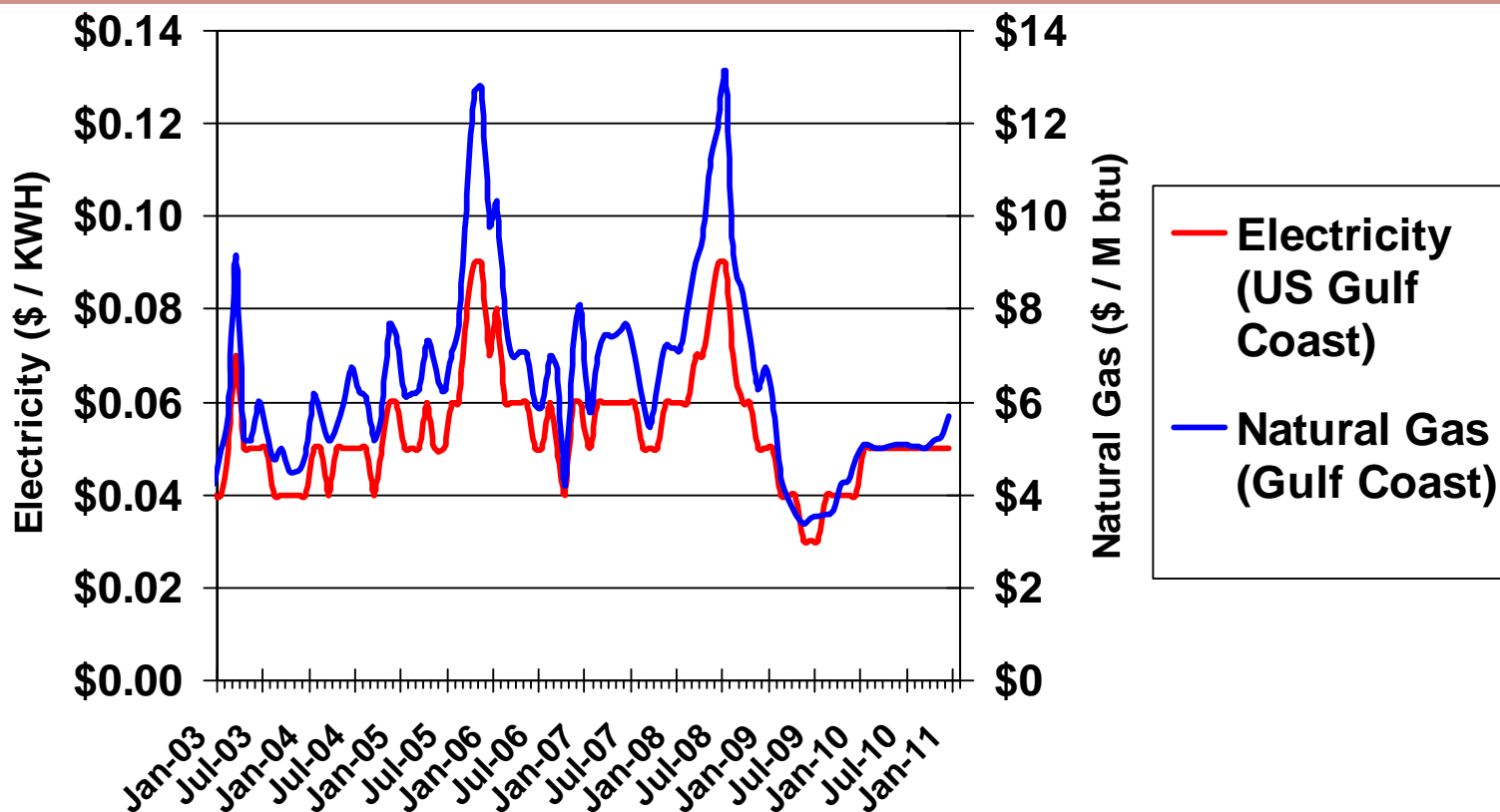


Diesel prices track with crude oil prices; after the recent March bottom of \$2.02, diesel has risen to \$2.50 in June. Further rises could hamper freight transportation's contribution to economic recovery.

Source: Energy Information Administration (DOE) – Jun 09



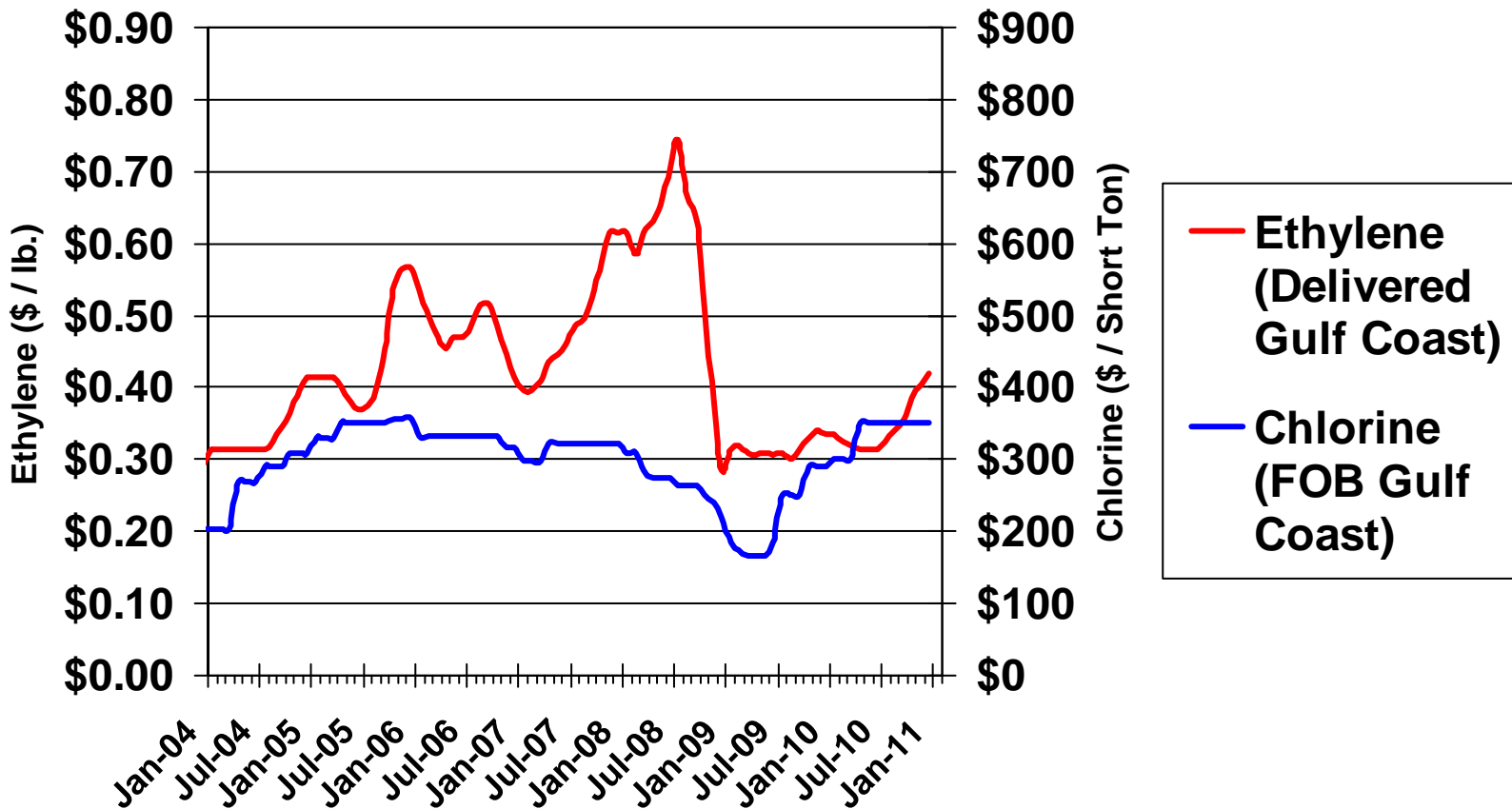
Energy



With this forecast, 2009 energy costs show a leveling off with slow increases into 2010, but will be affected by any supply / demand issues.



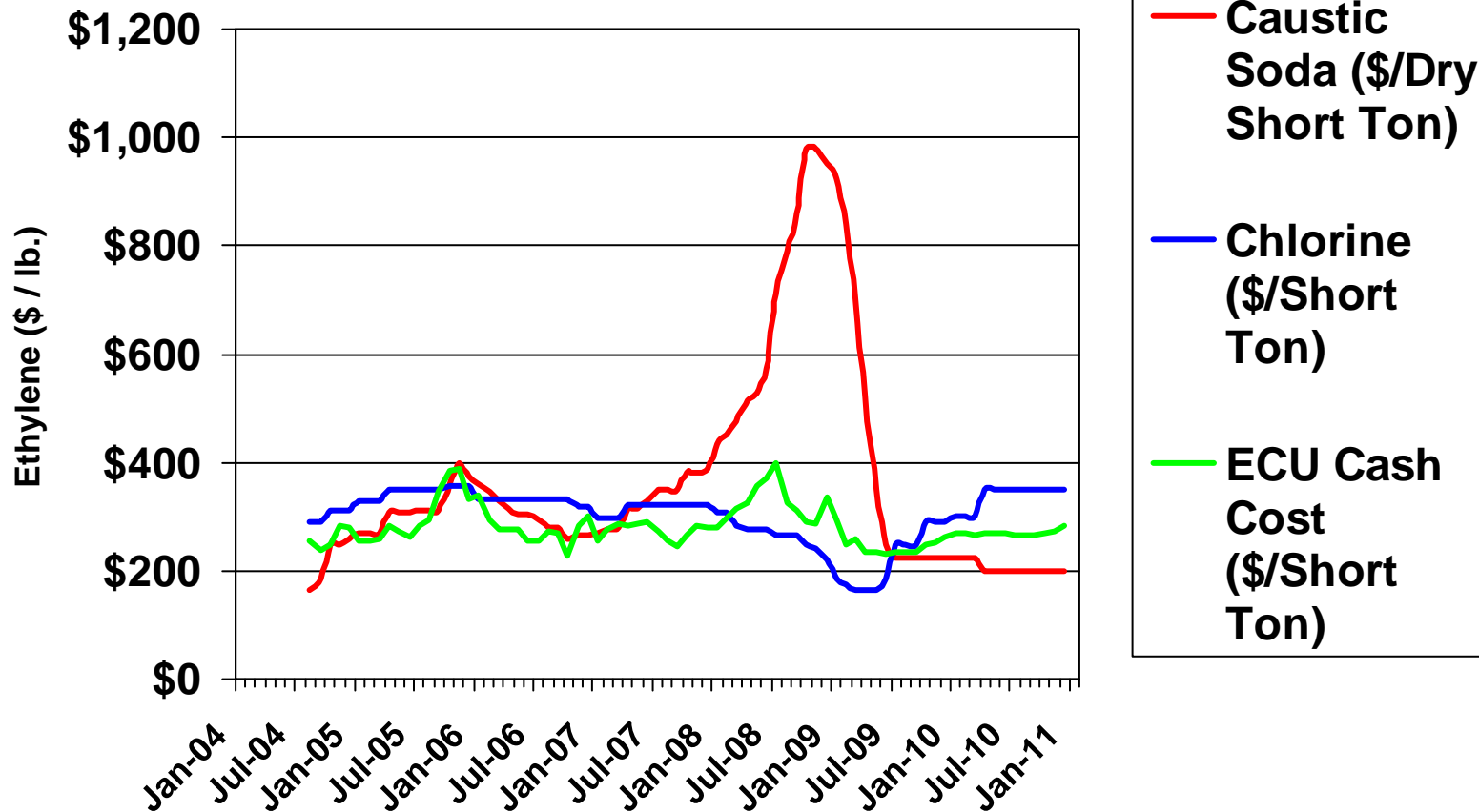
PVC Feedstocks



The present ethylene forecast is relatively flat with projected increases in chlorine.



Chlorine and Caustic Soda



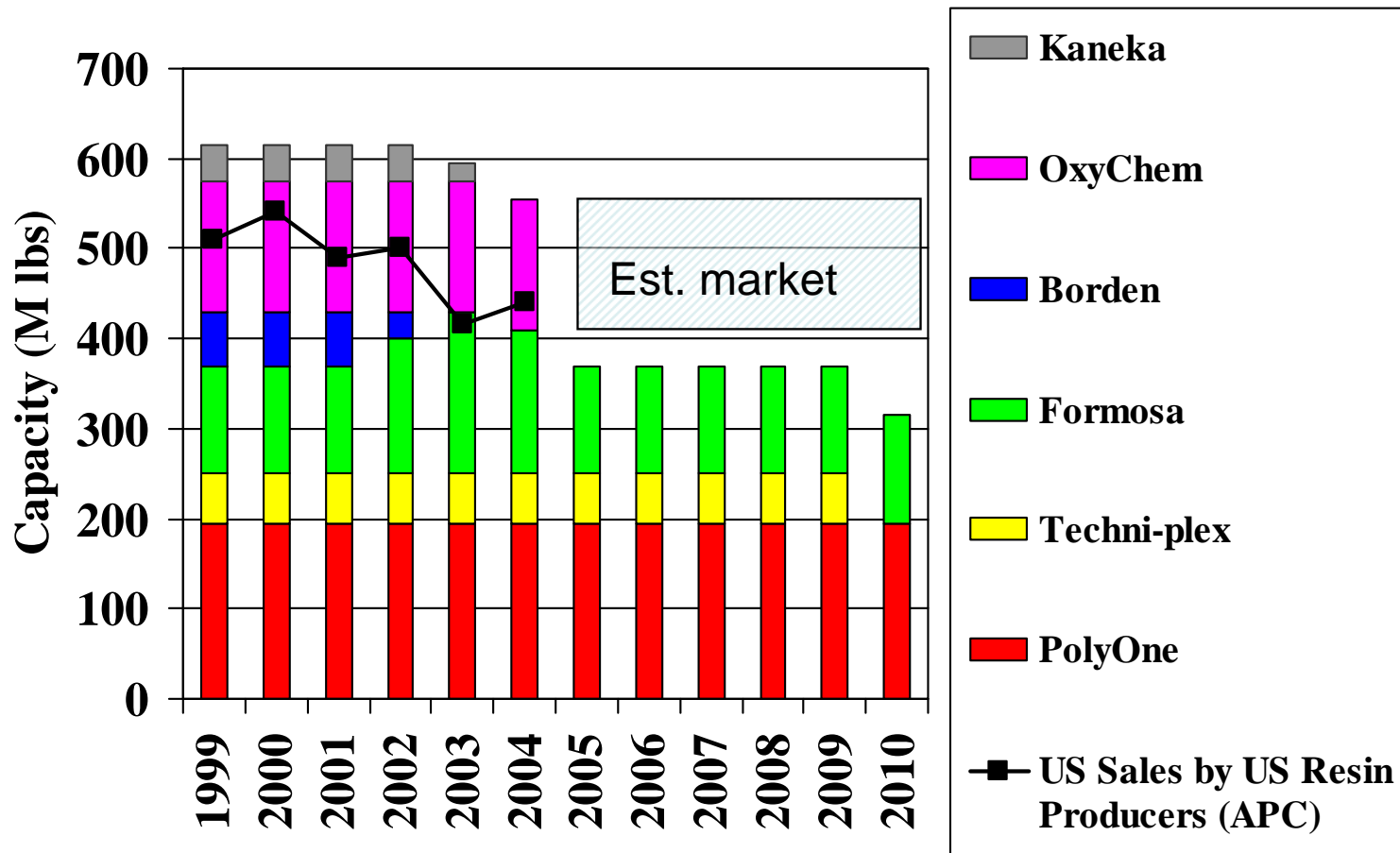
The recent reduction in caustic soda may severely affect chlorine supply.



North American Resin Capacity



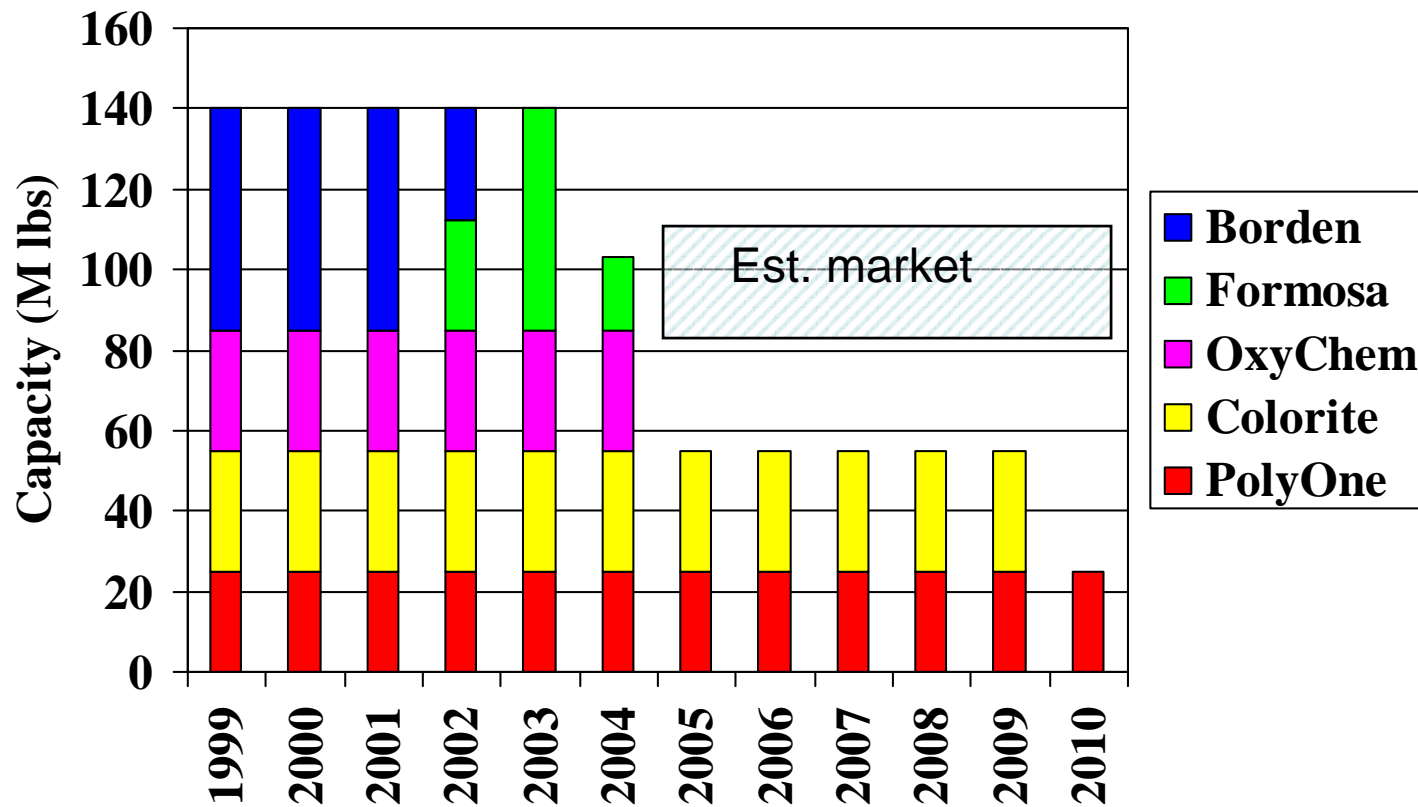
US Dispersion Resin Market Balance



The US dispersion resin market remains a net import market.



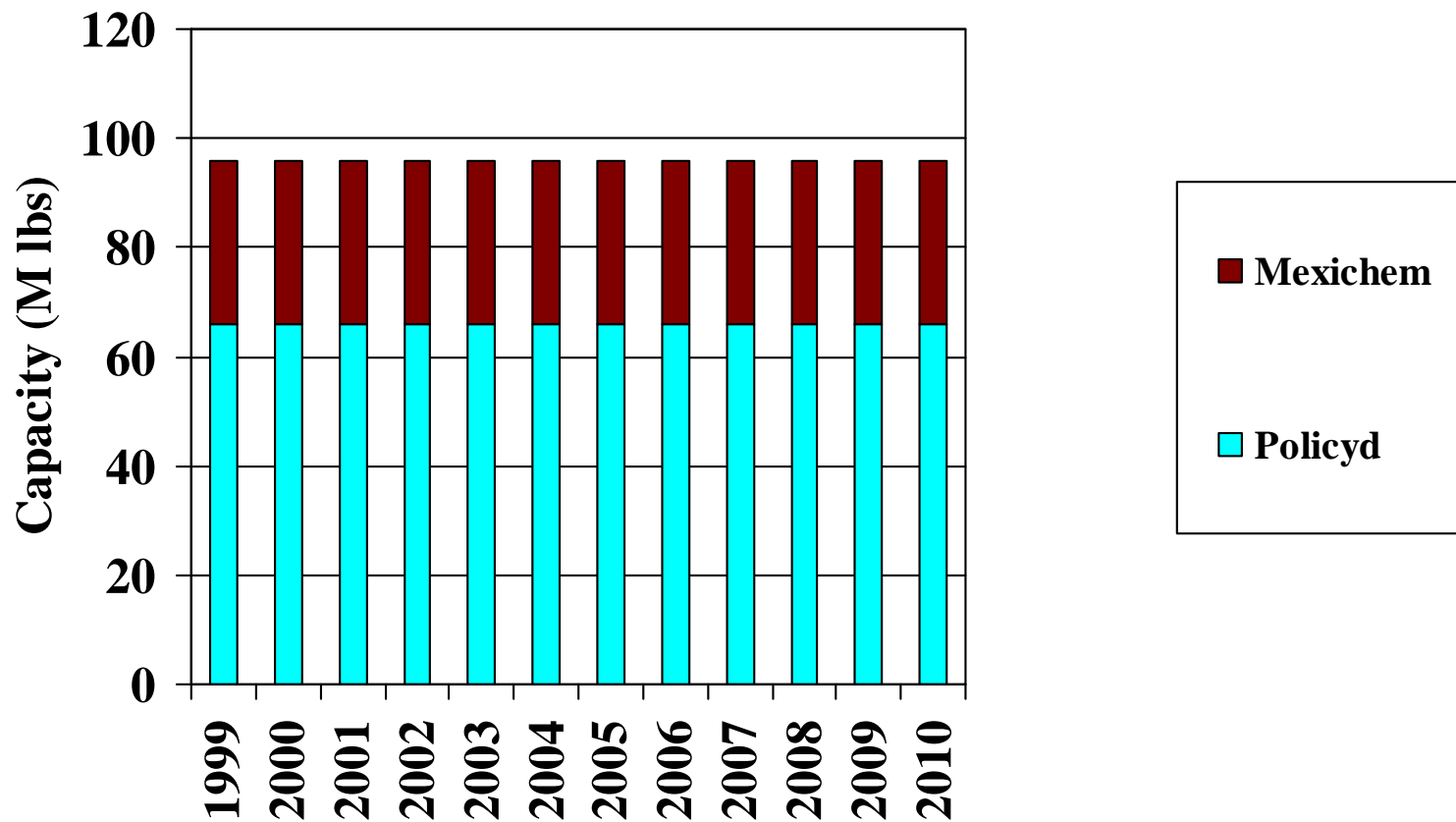
US Blending Resin Market Balance



The US blending resin market remains a net import market.



Mexican Resin Capacity



Capacity remains steady



Summary

- On an optimistic basis, we may have hit “the bottom” of the recession.
- Expectations for economic recovery are for moderate recovery later in 2009.
- Consumer sentiments are slightly higher in June, but employment is still declining, tempering consumer spending.
- Housing and automotive sectors are forecasted to remain weak through 2010.
- Increasing prices in the energy and feedstocks sectors are forecasted through 2010, but with less volatility than experienced during 2008.
- The recent increase in crude oil to \$70 and potential volatility is a concern, but this is counter to the fact of increasing inventories and supply.
- Low caustic soda demand and higher inventories may adversely effect chlorine and subsequently PVC resin manufacturing.

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Thank You!

