

PREPARING FOR HURRICANES

SUMMARY: NATIONAL ADHESIVES' HURRICANE RESPONSE

Risks:

- Many key adhesives raw materials suppliers are located in hurricane-prone areas
- Raw materials distribution systems are likely to be crippled by storms

Contingency Actions:

- Pre-qualified alternative sources of high-quality raw materials are ready to provide materials in the event of a primary supplier disruption
- Reviewed suppliers' hurricane contingency plans
- Increased raw materials inventory levels during hurricane season (National has doubled the inventory of many critical raw materials)
- Increased the finished goods inventory for many adhesives products
- Requested all Gulf-based suppliers to store safety stock in secure locations removed from storm paths
- Developed transportation contingency plans with preferred carriers. Including switching from rail to truck transportation of raw materials for Meredosia, IL and Woodruff, SC plants

To Our Customers:

At National Adhesives, we can't predict when or where the next hurricane might hit, nor can we foresee the next unexpected disruption in the global raw materials supply chain. We can predict our reaction by preparing for the unexpected to minimize the impact on our business — and on yours.

The supply chain is stretched tight. We've been reading about it in industry publications and hearing it from our suppliers. Aging infrastructure, stretched capacity, unpredictable weather and geopolitical instability all mean a high likelihood of future supply disruptions. So, we are planning for the worst, hoping that the worst never comes.

Supply risk experts believe that a company's fate is sealed before a disaster strikes: only preparation ensures continued performance. At National Adhesives, we're taking a three-pronged approach: learning from last year's storms, building a stronger supply chain, and improving communication.

Learning from the Storms

Distribution networks were some of the biggest casualties of last year's storms. Raw materials were available, but they were stuck in inaccessible warehouses. In preparation for the 2006 hurricane season, National has taken steps to overcome distribution disruptions.

National has analyzed our critical raw materials and implemented a strategic plan to maintain higher inventory levels. In fact, we've doubled our inventory of many raw materials. We are working closely with our Gulf-based suppliers, asking them to increase their inventories of raw materials and store safety stock and additional inventory at strategic locations removed from potential storm paths. We have also developed transportation contingency plans with our preferred carriers.

Leveraging Global Strength to Meet Demand

National Adhesives was driving global supply chain diversification long before the 2005 hurricane season, adding flexibility for us and greater security for you. We've taken the time to develop solid supplier relationships, leading to loyal allies in times of crisis.



This foresight paid off when National was one of the few companies that did not declare *force majeure* on adhesives products in the aftermath of Katrina and Rita. National continued to steadfastly supply our customers with the adhesives needed to keep their businesses running smoothly.

National's global reach allows us to qualify international high-quality sources of key raw materials. This extensive supplier network adds flexibility to our supply chain and ensures a quick response to potential disruptions before they impact your business.

This security costs more, in time and money: lead times are longer, multiple supplier sourcing is more expensive, transportation costs are higher, oversight is more exacting and the list goes on.

Communication is Key

Commitment to regular, open communication with suppliers and customers is the foundation of stronger, more effective relationships. We can only meet your needs if we understand them. Our ability to react quickly and effectively to minimize supply chain disruptions depends upon receiving frequent, reliable forecasts from our customers.

In the current raw materials environment, we need the flexibility to change course when conditions change abruptly. Fluctuations in ordering patterns, stockpiling and irrational panic buying all lead to unnecessary disruptions in the supply chain. Improved communication, quality forecasts and consistent ordering on the part of customers will go a long way towards minimizing undue tension in the supply chain.

Managing Risk for You

We believe that by taking these steps and partnering with our customers and suppliers, we're building a better supply chain and developing the resiliency needed to address unforeseen events.

At National Adhesives, we're proud of our ability to manage supply chain risk. We believe our level of preparedness is an advantage for you. Last year's hurricanes tested our systems and proved their robustness. This year we plan to do even better. We're worrying about supply-chain risk so you don't have to. It's just one facet of the added value that backs up every product we sell.

We sincerely hope this is the only hurricane-related communication you'll receive from us this year.

Thank you for your time,

The National Adhesives Team

National Adhesives
A National Starch & Chemical Business

For more information, contact Steve Ringsdore, National Adhesives Sales Director, at 908-685-5515.

