

MILLENNIUM CHEMICALS INC

Form 425

May 25, 2004

Filed by Millennium Chemicals Inc.

Pursuant to Rule 425 under the Securities Act of 1933 and

Deemed Filed Pursuant to Rule 14a-12 under the Securities Exchange Act of 1934

Subject Company: Millennium Chemicals Inc.

Commission File No. 1-12091

Date: May 21, 2004

These materials contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about the benefits of the proposed transaction between Lyondell and Millennium, including financial and operating results, Lyondell's plans, objectives, expectations and intentions and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of Lyondell's management and are subject to significant risks and uncertainties. Actual results may differ materially from those set forth in the forward-looking statements. The following factors, among others, could affect the proposed transaction and the anticipated results: approval by Lyondell's and Millennium's respective shareholders, amendments to Lyondell's and Millennium's respective credit facilities, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Act, the receipt of other competition law clearances and the parties' ability to achieve expected synergies in the transaction within the expected timeframes or at all. Additional factors that could cause Millennium's results to differ materially from those described in the forward-looking statements can be found in Exhibit 99.1 to Millennium's Amendment No. 1 to its Annual Report on Form 10-K for the year ended December 31, 2003, which was filed with the SEC on April 27, 2004 (the Amended Millennium 10-K), and Lyondell's registration statement containing a preliminary joint proxy statement/prospectus, which was filed with the SEC on April 26, 2004.

In addition, in connection with the proposed transaction Lyondell and Millennium have filed relevant materials with the SEC, including Lyondell's registration statement containing a preliminary joint proxy statement/prospectus, which was filed on April 26, 2004. The definitive joint proxy statement/prospectus will be sent to holders of Lyondell's and Millennium's common stock when it becomes available. **Investors and security holders are urged to read the preliminary joint proxy statement/prospectus on file with the SEC, the definitive joint proxy statement/prospectus when it becomes available and any other relevant documents filed by Lyondell or Millennium because they contain, or will contain, important information.** Investors and security holders may obtain a free copy of the preliminary joint proxy statement/prospectus and the definitive joint proxy statement/prospectus (when it becomes available) and other documents filed by Lyondell and Millennium with the SEC for free at the SEC's web site at [www.sec.gov](http://www.sec.gov). The preliminary joint proxy statement/prospectus and the definitive joint proxy statement/prospectus (when it becomes available) and the other documents filed by Millennium may also be obtained

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free from Millennium by calling Millennium's Investor Relations department at (410) 229-8113.

The respective executive officers and directors of Lyondell and Millennium and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding Lyondell's executive officers and directors is available in its proxy statement filed with the SEC by Lyondell on March 16, 2004, and information regarding Millennium's directors and its executive officers is available in the Amended Millennium 10-K. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, is contained in the preliminary joint proxy statement/prospectus and other relevant materials filed with the SEC and will be contained in the definitive joint proxy statement/prospectus and other relevant materials to be filed with the SEC.

EXPLANATORY NOTE: This filing contains a slideshow presented to Millennium's customers and certain other individuals. The following information is being filed pursuant to Rule 425 under the Securities Act of 1933.

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**Millennium Chemicals**  
**May 2004**

**AGENDA**

**Lyondell / Millennium Chemicals Merger**

**TiO<sub>2</sub> update**

**Millennium s value offering**

1

**Lyondell Merger Update**

**What is being announced**

**Creates the third largest independent publicly traded chemical company in North America**

**Leading integrated commodity and intermediates chemical businesses with leadership positions across range of market segments**

**Combined revenues of over \$11 billion**

**Combined market cap of nearly \$4 billion**

**Millennium will combine with Lyondell in a stock-for-stock transaction**

**Significant Market Positions**

**1st Propylene oxide and styrene monomer globally**

**2nd Ethylene and propylene in North America**

**2nd TiO<sub>2</sub> globally**

**2nd Acetic acid and VAM in North America**

**3rd Polyethylene in North America**

**58.75% stake in largest extra heavy crude refinery in North America**

**Rationale for the merger**

**Greater diversity better enables weathering of economic and industry cycles**

**Increased global footprint**

**Simplified ownership of Equistar, enhancing ability for future opportunities in the chemical industry**

**Greater scale provides greater access to capital and other resources**

**Opportunity for operational synergies**

**Key benefits**



**Expected Company Structure  
and Timing**

**During transition period, no change to existing  
leadership or organizational structure**

**Combined company will be named Lyondell**

**Dan Smith will continue as CEO upon merger**

**Reporting structures not yet determined**

**Structure**

**Expect transaction will be completed in the third quarter  
of 2004**

**Requires shareholder approval of both companies**

**Requires regulatory approval**

**Timing**

**Millennium TiO<sub>2</sub> Update**

**MILLENNIUM HIGHLIGHTS**

**Leading market positions**

**Favorable industry dynamics**

**Broad product portfolio**

**Strong global reach**

**14 plants on 4 continents**

**Sales and distribution in over 90 countries**

**Over 41% of 2002 sales outside of the United States**

**STRONG GLOBAL REACH**

**Baltimore, MD**

**Perth/  
Bunbury, WA**

**Bahia**

**Paraiba**

**Ashtabula, OH**

**Thann**

**LeHavre**

**Stallingborough**

**Jacksonville, FL**

**Houston, TX**

**Shanghai**

**Colonel s Island, GA**

**Singapore**

**Sydney**

**Hong Kong**

**Japan**

**Korea**

**Brussels**

**São Paulo**

**BUSINESS PRIORITIES**

**Achieve world-class cost profile in core businesses**

**Focus on the customer by continuing to provide highly competitive products and services**

**Improve financial flexibility through debt reduction**

**TiO<sub>2</sub> Business Update**

**GLOBAL ECONOMIC GROWTH**

Source: Consensus Forecast (April 5, 2004)

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**Real GDP % Change YOY**

**Region**

**North America**

**C&S America**

**Western Europe**

**Eastern Europe**

**Middle East & Africa**

**Asia Pacific**

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**World**

All major regions are expected to post stronger economic growth in 2004 compared with 2003.

**2.5**

**(1.2)**

**1.1**

**4.6**

**1.8**

**2.3**

**1.9**

**3.0**

**1.5**

**0.8**

**5.5**

**3.2**

**3.8**

2.6

4.4

4.2

2.0

5.0

2.5

4.3

3.7

3.2

3.3

3.0

4.9

2.2

3.8

3.7

2002   2003   2004   2005

12



**TiO<sub>2</sub> GROWTH**  
**Long-term Forecast**

-

500

1,000

1,500

2,000

3,000

3,500

4,000

4,500

5,000

2,500

1980

1985

1990

1995

2000

2005

**Demand (000 MT)**

**Actual**

**Forecast**

**CAGR = 2.2%**

**TiO<sub>2</sub> GROWTH  
2002 - 2007 CAGR S**

**Region**

**Coatings**

**Plastics**

**Paper/Other**

**Total**

**North America**

**1.3%**

**2.6%**

**-2.3%**

**0.9%**

**C&S America**

**1.9%**

**1.8%**

**2.4%**

**1.9%**

**Brazil**

**2.6%**

**2.6%**

**2.6%**

**2.6%**

**Other Mercosur**

**1.1%**

**1.1%**

**2.6%**

**1.2%**

**Europe**

**1.2%**

**2.3%**

**1.9%**

**1.6%**

**Western Europe**

**1.2%**

**2.4%**

**2.0%**

**1.7%**

**EEMEA**

**1.3%**

**2.2%**

**1.7%**

**1.5%**

**Asia Pacific**

**2.9%**

**4.6%**

**1.7%**

**3.1%**

**China**

**5.6%**

**7.5%**

**2.6%**

**5.5%**

**Japan**

**-0.4%**

**1.1%**

**0.8%**

**0.2%**

**Total World**

**1.9%**

**3.0%**

**0.6%**

**2.0%**

**Businesses/Markets**

Source: Millennium Chemicals

**2004 DEMAND UPDATE**

**Demand (000 MT)**

**Actual**

**Estimate**

**Outlook**

**%**

**Region**

**2002**

**2003**

**2004**

**03 vs. 02**

**04 vs. 03**

**North America**

**1,336**

**1,289**

**1,340**

**-3.5%**

**4.0%**

**C&S America**

**195**

**199**

**211**

**2.0%**

**6.0%**

**Europe**

**1,556**

**1,493**

**1,568**

**-4.0%**

**5.0%**

**Asia Pacific**

**1,041**

**1,082**

**1,147**

**4.0%**

**6.0%**

**Total World**

**4,127**

**4,063**

**4,267**

**-1.5%**

**5.0%**

15

**TiO<sub>2</sub> DEMAND OUTLOOK**

Demand is expected to rebound 5-7% in 2004. The 0.8% increase in 2005 and the subsequent 2.2-2.1% growth thereafter is a return back to a 1990-2003 trend line.

**5.9%**

**-1.9%**

**8.6%**

**6.6%**

**5.6%**

**3.3%**

**7.2%**

**5.8%**

**3.1%**

**-5.9%**

**0.2%**

**5.9%**

**1.9%**

**8.7%**

**-0.3%**

**0.2%**

**9.6%**

**-4.3%**

**4.3%**

**5.2%**

**-4.3%**

**10.0%**

**-1.5%**



**5.0%**

**0.8%**

**2.1%**

**2.1%**

**2.2%**

**0**

**500**

**1,000**

**1,500**

**2,000**

**2,500**

**3,000**

**3,500**

**4,000**

**4,500**

**5,000**

**1980**

**1982**

**1984**

**1986**

**1988**

**1990**

**1992**

**1994**

**1996**

**1998**

**2000**

**2002**

**2004**

**2006**

**2008**

**000 MT**

**-8%**

**-6%**

**-4%**

**-2%**

**0%**

**2%**

**4%**

**6%**

**8%**

**10%**

**12%**

**Y-O-Y % Δ**

**Actual**

**Trend Line Forecast**

**Actual**

**Trend Line Forecast**

**MCH INSTALLED CAPACITY**

**MCH will rationalize certain equipment at its Le Havre, France sulfate plant in Q2-04, which will reduce that plant's rated capacity from 95k mt/year to 65k mt/year. However, MCH will recognize an aggregate gain of 10k mt/year of production capacity at its Ashtabula, Ohio and Australian chloride plants, primarily due to reliability improvements. Thus, in Q2-04, MCH's total net reduction of production capacity will be 20k mt/year.**

**Installed Capacity (000 mt/year)**

<b>Plant</b>
<b>Process</b>
<b>2003</b>
<b>2004</b>
<b>04 vs '03</b>
Ashtabula, Ohio
Chloride
210
215
5
HPP, Baltimore
Chloride
50
50
-

Bahia, Brazil

Sulfate

60

60

-

Le Havre, France

Sulfate

95

65

(30)

Thann, France

Sulfate

30

30

-

Stallingborough, U.K.

Chloride

150

150

-

Kemerton, Australia

Chloride

95

100

5

**Total**

**690**

**670**

**(20)**

% Chloride

73%

77%

3.7

pp

% Sulfate

27%

23%

(3.7)pp

17

**INDUSTRY INSTALLED CAPACITY**

**1999**

**DuPont**

**21%**

**Millennium**

**16%**

**Kerr-**

**McGee**

**9%**

**Tioxide**

**13%**

**Kronos**

**10%**

**ISK**

**5%**

**Kemira**

**7%**

**Others**

**19%**

**2004**

**DuPont**

**23%**

**Millennium**

**14%**

**Tioxide**

**12%**

**Kronos**

**10%**

**ISK**

**4%**

**Kemira**

**3%**

**Others**

**20%**

**Kerr-**

**McGee**

**14%**

**% Share Total Capacity**

**4.447 million mtpa**

**% Share Total Capacity**

**4.748 million mtpa**



**INDUSTRY INSTALLED CAPACITY**

19

**Producer**

**000 MT**

**% Share**

**% Chloride**

DuPont

1,095

23%

100%

Millennium

670

14%

77%

Kerr-McGee

668

14%

76%

Huntsman Tioxide

558

12%

29%

Kronos

475

10%

69%

Total Top Five

3,466

73%

75%

ISK

205

4%

55%

Kemira

130

3%

0%

Others

947

20%

15%

Total World

4,748

100%

60%

**2004 Installed Capacity**

**TITANIUM DIOXIDE  
Demand vs Supply Growth**

5.0%

0.8%

2.2%

2.1%

2.1%

0.7%

-0.6%

0.5%

0.4%

0.1%

0.2%

2.4%

-1%

0%

1%

2%

3%

4%

5%

6%

2004

2005

2006

2007

**2008**

**03-08**

**CAGR**

**Announced Capacity Growth**

**Projected Demand Growth**

20

**TITANIUM DIOXIDE  
Capacity Rationalization**

**Millennium:**

**Reduced sulfate capacity by 30k mt/year at Le Havre, France (2004).**

**Idled sulfate production line at Hawkins Point facility, 44k mt/year (2001).**

**Kerr-McGee:**

**Idled one sulfate production line at the Savannah facility, 27k mt/year (2004).**

**Closed Antwerp sulfate production facility, 30k mt/year (2001).**

**Huntsman:**

**Reduced sulfate capacity by 40k mt/year at Grimsby, U.K. (2004).**

**Reduced sulfate capacity by 15k mt/year at Umbogintwini, South Africa (2004).**

**Industry:**

**The sulfate capacity reductions in 2004 total 112k mt/year, and represent 2% of total industry capacity and 6% of total sulfate capacity.**

**TiO<sub>2</sub> Producer Update**

NL Industries spins off Kronos to shareholders

Sachtleben parent announces sale of TiO<sub>2</sub> business

Lyondell to buy Millennium Chemicals

Kerr McGee to merge with Westport

Dupont announces 6% global workforce reduction

**CAPACITY-DEMAND BALANCE**

**97%**

**91%**

**87%**

**86%**

**85%**

**91%**

**92%**

**94%**

**95%**

**84%**

**85%**

**90%**

**87%**

**84%**

**89%**

**84%**

**86%**

**89%**

**87%**

**2,500**

**3,000**

**3,500**

**4,000**

**4,500**

**5,000**

2,000

5,500

6,000

1990

1992

1994

1996

1998

2000

2002

2004

2006

2008

60%

65%

70%

75%

80%

85%

90%

95%

100%

**Demand-Capacity Ratio**

**Effective Capacity**

**Demand**

**Demand-Capacity Ratio**



**Outlook**

The Demand/Capacity ratio is projected at 91% in 2004, which is above the historical price support level. We anticipate that the market will be characterized by excess demand, which will create upward pressure on price.

**Global Average Price Cycle and the D/C Ratio**

**-15%**

**-10%**

**-5%**

**0%**

**5%**

**10%**

**15%**

**Price as a % of Trend**

**80%**

**82%**

**84%**

**86%**

**88%**

**90%**

**92%**

**Demand/Capacity**

**Demand/Capacity (t-1)**

**Price as % of Trend**

**PRICE AND THE CAPACITY-DEMAND  
BALANCE**

24

**2003**

**2002**

**2001**

**2000**

**1999**

**1998**

**1997**

**1996**

**1995**

**1994**

**1993**

**1992**

**1991**

**TITANIUM DIOXIDE  
Global Price Increase Announcements**

**2003**

**Australia**

**Asia**

**Central & South America**

**Europe, MEA**

**North America**

**2004 Q1**

**North America**

**Asia**

**Middle East & Africa**

**Central & South America**

**2004 Q2**

**MEA, Asia**

**C&SA**

**Region**

**Announced Amount**

25

**A \$100 pmt**

**US \$100 pmt**

**US \$100 pmt**

**100 pmt**

**US \$0.06, CAN \$ 0.08 per pound**

**US \$0.05, CAN \$ 0.06 per pound**

**US \$150 pmt**

**120 pmt or US \$150 pmt**

**US \$100 pmt**

**US \$100 pmt**

**US\$ 150 pmt**

**Value Offering:**

**Better Products and Services**

**Safety / Environment**

**Management commitment**

**Training / employee involvement**

**Accountability**

**Environmental Reportable Incidents**

**0**

**200**

**400**

**600**

**800**

**1,000**

**1,200**

**1998**

**1999**

**2000**

**2001**

**2002**

**2003**

**0.00**

**1.00**

**2.00**

**3.00**

**4.00**

**5.00**

**6.00**

**1995**

**1996**

**1999**

**2002**

**2003**

**Recordable Incidents - TRIR**

**1998**

**2000**

**1997**

**2001**

27



**Six Sigma Process**

**Customer-focused  
improvement**

**Disciplined approach to  
improve processes**

**Variance cost savings**

**Grass Roots Implementation**

**Six Sigma Benefits**

**0**

**5**

**10**

**15**

**20**

**25**

**30**

**35**

**40**

**2001**

**2002**

**2003**

**2004E**

**28**

**New product technology for high  
efficiency**

**Committed to investment in R&D**

**Excellent understanding and penetration  
of target markets**

**Superior performance products delivering  
value to customers**

**New products launched and further  
development continues**

**Support and expertise to enhance your  
business**

**PRODUCT LINE EVOLUTION  
The Rationale**

*Millennium provides superior global products*

**Coatings**

**Tiona<sup>®</sup> 596 - the durable multipurpose**

**Tiona<sup>®</sup> 595 - next generation multipurpose**

**Tiona<sup>®</sup> 696 - next generation superdurable**

**Tiona<sup>®</sup> 568 - multipurpose sulfate rutile product**

**Plastics**

**Tiona<sup>®</sup> 696 - next generation product for superdurable applications**

**Tiona<sup>®</sup> 90 - general purpose masterbatch product**

**Two new sulphate masterbatch products are under development**

**Paper**

**Tiona<sup>®</sup> RCL-722 - designed for use in paper laminates**

**PRODUCT LINE EVOLUTION**

**Coatings, Plastics, Paper**

**ULTRAFINE TITANIUM DIOXIDE**

Millennium Performance Chemicals produces a wide range of Ultrafine Titanium Dioxide products. These products have nanometer particle size and may be a colloidal suspension (a sol) or an agglomerated powder.

The applications for these products include:

DeNOx SCR Catalysis (stationary and mobile)

Post-combustion Catalysis (other than DeNOx)

Fine Chemistry catalysis

Claus Catalysis

Photocatalysis

Coloured Pigments

Electroceramics and Electronics

Additives

**MARKET UPDATE**

**Global macroeconomic environment continuing to improve. Experts anticipate global economic growth of 3.7% this year year, compared with 2.6% last year.**

**Demand contracted slightly in 2003, but is expected to rebound  $\approx$  5-7% in 2004 as global economic conditions continue to improve.**

**Declining demand through the 3<sup>rd</sup> quarter of 2003 resulted in a market characterized by excess supply, creating downward pressure on price. However, a 4<sup>th</sup> quarter rebound and stronger growth this year should push the Demand-Capacity Ratio above the price support level, resulting in higher prices.**

**Supply growth not keeping up with demand growth due to low industry profitability.**

**Improved product, selling and service offerings implemented to improve total offering to customers**

**On average, price will be higher in 2004 due to the tightening capacity-demand balance.**

**A linear trend model yields a long-term annual average growth rate of 2.2-2.4%.**