

REVISED DRAFT 3/17/92

LADIES AND GENTLEMEN:

THANK YOU FOR BEING HERE THIS MORNING. MY NAME IS KEITH MCKENNON, AND I AM THE CHAIRMAN AND CEO OF DOW CORNING.

WE HAVE THREE ANNOUNCEMENTS THIS MORNING, ALL CONCERNING THE BREAST IMPLANT CONTROVERSY. THE FIRST INVOLVES OUR CONTINUING COMMITMENT TO RESEARCH PROGRAMS IN THIS AREA, THE SECOND INVOLVES A PROGRAM FOR IMPLANT RECIPIENTS WITH NO MONEY AND NO INSURANCE, AND WHO NEED AN IMPLANT REMOVAL PROCEDURE, THE THIRD WILL REPORT OUR DECISION ABOUT WHETHER OR NOT TO RESUME IMPLANT PRODUCTION IF THE CURRENT MORATORIUM IS LIFTED. I WILL DISCUSS EACH OF THESE ANNOUNCEMENTS IN MORE DETAIL AND THEN ANSWER ANY QUESTIONS YOU MAY HAVE.

AT THE FEBRUARY FDA ADVISORY PANEL MEETING, I MADE CLEAR OUR CONTINUING COMMITMENT TO RESEARCH DESIGNED TO ADD TO THE KNOWLEDGE BASE ABOUT BREAST IMPLANTS, REGARDLESS OF FDA'S FINAL RULING ON THE IMPLANT'S AVAILABILITY AND REGARDLESS OF WHETHER DOW CORNING RESUMES PRODUCTION OF IMPLANT DEVICES. TODAY WE REAFFIRM THAT COMMITMENT. I AM ANNOUNCING THAT DOW CORNING HAS ESTABLISHED A RESEARCH FUND OF \$10 MILLION TO BE AUDITED BY THE INDEPENDENT ACCOUNTING FIRM OF PRICE WATERHOUSE WHO WILL PROVIDE PERIODIC REPORTS ON ITS USAGE. A SUMMARY OF THESE REPORTS WILL

BE PROVIDED TO THE FDA AND INTERESTED THIRD PARTIES. THIS FUND, ALONG WITH THE INTEREST INCOME IT EARNS, WILL BE USED FOR THE SOLE PURPOSE OF FUNDING CONTINUING BREAST IMPLANT RESEARCH.

THE SPECIFIC PROGRAMS AND DETAILS OF OUR RESEARCH PLAN ARE BEING DISCUSSED WITH THE FDA. IN FACT, THOSE DISCUSSIONS HAVE ALREADY BEGUN. ONCE THE RESEARCH PLAN IS CONFIRMED, WE PLAN TO CONDUCT MANY OF THE STUDIES THROUGH INDEPENDENT CONTRACTORS. THE ONGOING STUDIES AT NEW YORK UNIVERSITY AND THE UNIVERSITY OF MICHIGAN ARE EXAMPLES OF SUCH STUDIES UTILIZING OUTSIDE CONTRACTORS, AS WELL AS INDEPENDENT LABORATORIES.

THE SINGLE, MOST IMPORTANT OBJECTIVE OF THIS RESEARCH IS TO ANSWER THOSE REMAINING QUESTIONS WOMEN MAY HAVE ABOUT THEIR IMPLANTS. FOR EXAMPLE, THE FEBRUARY FDA PANEL AGREED THAT INSUFFICIENT EVIDENCE EXISTS TO SHOW ANY LINK BETWEEN IMPLANTS AND SYSTEMIC DISEASES OF THE IMMUNE SYSTEM. THE PANEL ALSO SAID THERE IS INSUFFICIENT EVIDENCE TO PROVE NO SUCH LINK EXISTS. THUS, CONTINUING RESEARCH IS OBVIOUSLY IMPORTANT. WE AGREE WITH THE NEED FOR MORE STUDIES, AND ARE COMMITTED TO FUND ADDITIONAL RESEARCH TO PROVIDE AN EXPANDED SCIENTIFIC BASE TO ANSWER THESE QUESTIONS AND WE WILL ENSURE THAT RESULTS OF THESE STUDIES BE MADE AVAILABLE TO ALL INTERESTED PARTIES.

LET ME TURN NOW TO OUR SECOND ANNOUNCEMENT. SINCE MY FIRST DAY ON MY NEW JOB, I'VE BEEN CONCERNED ABOUT ANY WOMAN WITH DOW CORNING IMPLANTS WHO HAS NO MONEY, AND NO INSURANCE COVERAGE, BUT WHO NEEDS AN IMPLANT REMOVAL PROCEDURE. MORE THAN ANY OTHER GROUP OF WOMEN IN THESE CIRCUMSTANCES WOULD BE LEFT WITHOUT THE

CHOICE TO HAVE THEIR IMPLANTS REMOVED WHEN A MEDICAL NEED MADE THIS PROCEDURE NECESSARY. WE HAVE NOW DESIGNED A PROGRAM TO HELP WOMEN IN THAT SITUATION.

BEFORE I OUTLINE THE PROGRAM, LET ME MENTION TWO THINGS:

FIRST, THE FDA'S CURRENT POSITION, AND THE ADVISORY PANEL'S RECOMMENDATION, IS THAT IMPLANTS PERFORMING SATISFACTORILY NEED NOT BE REMOVED. WE CERTAINLY AGREE WITH THAT RECOMMENDATION.

SECONDLY, DOW CORNING ALREADY HAS A REPLACEMENT WARRANTY PROGRAM. THIS PROGRAM, UNDER APPROPRIATE CIRCUMSTANCES, PROVIDES WOMEN USING DOW CORNING SILASTIC®II OR MSI® IMPLANTS A REPLACEMENT DEVICE AND \$600 IN FINANCIAL SUPPORT. DOW CORNING WILL CONTINUE THAT PROGRAM, PERHAPS BY INCREASING THE DOLLAR AMOUNT SO THAT PATIENTS CAN PURCHASE A DEVICE FROM OTHER MANUFACTURERS.

THE NEW PROGRAM I AM ANNOUNCING TODAY WILL BE LIMITED TO PATIENTS WITH DOW CORNING IMPLANTS WHO HAVE AGREED WITH THEIR PHYSICIAN THAT, FOR MEDICAL REASONS, HER IMPLANT(S) NEED BE REMOVED, BUT WHO CANNOT AFFORD THE PROCEDURE. FOR SUCH PATIENTS, WE WILL PROVIDE UP TO \$1200 TO SUPPORT THE MEDICAL COSTS OF THE REMOVAL PROCEDURE. PATIENTS IN THE USA CAN CALL DOW CORNING'S BREAST IMPLANT INFORMATION CENTER TO FIND OUT MORE INFORMATION ABOUT THE PROGRAM.

THIS PROGRAM WILL BE AVAILABLE THROUGHOUT THE USA, AND WE ARE REVIEWING THE NEED FOR SUCH PROGRAMS IN OTHER PARTS OF THE WORLD.

DOW CORNING'S THIRD ANNOUNCEMENT ADDRESSES OUR CONTINUED INVOLVEMENT IN THE PRODUCTION AND SALE OF BREAST IMPLANTS. THIS IS A DECISION THAT WE HAVE THOUGHT THROUGH VERY CAREFULLY AS WE CONSIDERED THE LIKELY SIZE OF THE FUTURE MARKET, OUR RELATIVELY MODEST MARKET SHARE, AND THE EVEN SMALLER SIZE OF THIS BUSINESS RELATIVE TO OUR OTHER OPERATIONS. AFTER CONSIDERING ALL OF THESE FACTORS, AS WELL AS MANY OTHERS, WE HAVE DECIDED THAT DOW CORNING WILL NOT RESUME THE PRODUCTION OR SALES OF BREAST IMPLANTS.

IN MAKING THIS ANNOUNCEMENT, LET ME MAKE VERY CLEAR THAT DOW CORNING REMAINS SATISFIED THAT DOW CORNING IMPLANTS PRODUCED OVER THE YEARS HAVE FILLED AN IMPORTANT MEDICAL NEED FOR THOUSANDS OF WOMEN, AND DID NOT AND DO NOT REPRESENT AN UNREASONABLE RISK. BASED ON PAST EXPERIENCE, WE BELIEVE THAT THE VAST MAJORITY OF WOMEN WHO HAVE OUR IMPLANTS WILL REMAIN SATISFIED WITH THE DEVICE. OUR REASONS FOR NOT RESUMING PRODUCTION AND SALES, THEREFORE, ARE NOT RELATED TO ISSUES OF SCIENCE OR SAFETY BUT TO THE EXISTING CONDITION OF THE MARKETPLACE.

DOW CORNING HAS REMAINED IN THE SILICONE BREAST IMPLANTS BUSINESS EVEN THOUGH FOR US, THIS IS A SMALL BUSINESS. THE PRODUCTS REPRESENT LESS THAN 1% OF OUR REVENUES AND HAVE NOT BEEN PROFITABLE OVER THEIR HISTORY. GIVEN THE CONTINUED CONTROVERSIAL ENVIRONMENT SURROUNDING THIS PRODUCT, I SEE NO PROSPECT FOR BUSINESS IMPROVING. INSTEAD, IT SEEMS LIKELY THAT THE FUTURE USE OF THIS PRODUCT WILL BE CURTAILED TO A CONSIDERABLE EXTENT. HOWEVER, WOMEN IN GENERAL AND THE MEDICAL COMMUNITY IN PARTICULAR, ARE FORTUNATE THAT TWO OTHER MANUFACTURERS OF SILICONE BREAST IMPLANTS SUPPLY THE PRODUCT AROUND THE WORLD. I

BELIEVE THAT BOTH OF THESE MANUFACTURERS INTEND TO REMAIN IN THE DEVICE BUSINESS AND WILL PROVIDE WOMEN AND THEIR PHYSICIANS WITH A FUTURE SOURCE OF SUPPLY FOR THE DEVICES.

LET ME CLOSE BY ASSURING WOMEN WHO HAVE OUR IMPLANTS THAT WE REMAIN FULLY COMMITTED TO THEM AS THE MANUFACTURER OF THEIR DEVICE -- WE WILL STAND BY THEM, BY OUR COMMITMENTS TO CONTINUING RESEARCH, AND BY OUR OTHER SUPPORT PROGRAMS.

LET ME ALSO ASSURE WOMEN AND PHYSICIANS THAT WE WILL CONTINUE TO COOPERATE WITH THE FDA AS WE DEVELOP THE TEST PROTOCOLS THAT WILL GUIDE ONGOING RESEARCH, AND WE WILL ASSURE THAT RESULTS OF THAT RESEARCH WILL BE COMMUNICATED TO ALL INTERESTED PARTIES.

NOW I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE.