



Building the Dow of Tomorrow

- Some of our comments today may include statements about our expectations for the future. Those expectations involve risks and uncertainties. Dow cannot guarantee the accuracy of any forecasts or estimates, and we do not plan to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see our annual report and our SEC filings.
- In addition, some of our comments may reference non-GAAP financial measures. Where available, a reconciliation to the most directly comparable GAAP financial measures and other associated disclosures are provided on the internet at www.dow.com in the Financial Reports page of the Investor Relations section.



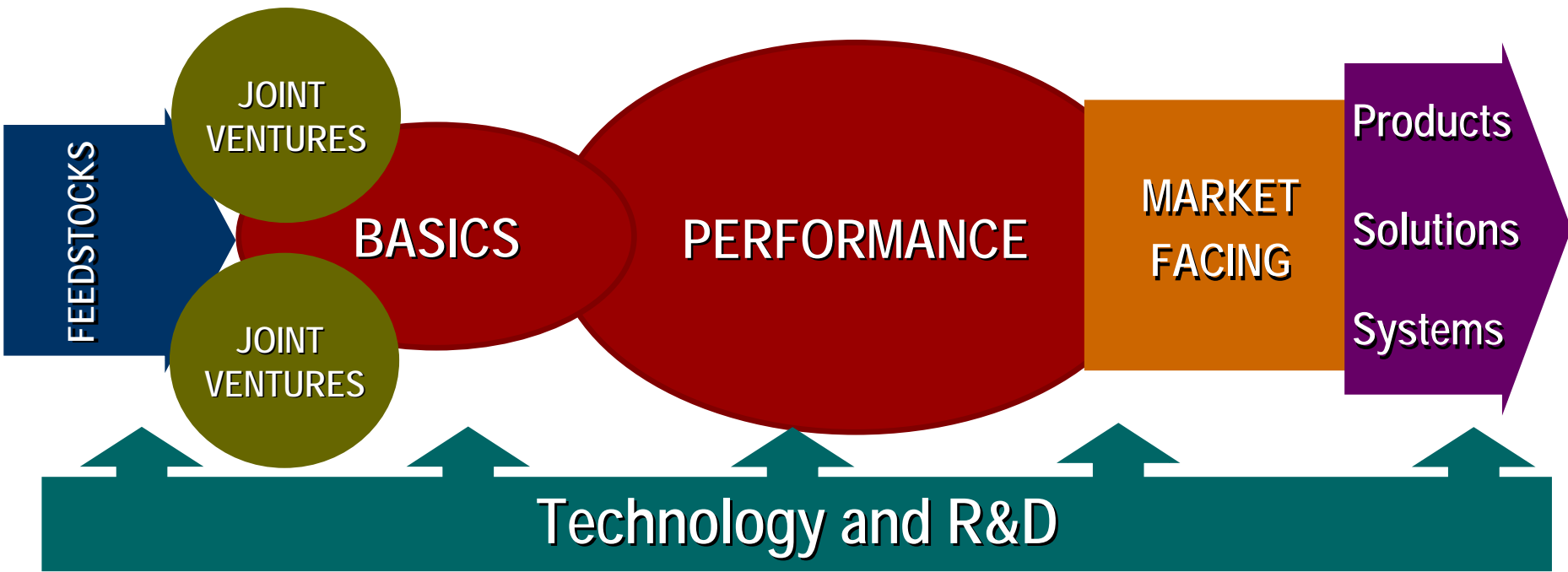
Building the Dow of Tomorrow

Andrew N. Liveris

Chairman and Chief Executive Officer
The Dow Chemical Company

December 13, 2007

Building the Dow of Tomorrow



Business Balance

- Basics + Performance

Fully Integrated Company

- Upstream + downstream

Operational Excellence

- Productivity and reliability

Diverse Portfolio

- Major Basics chains + Performance markets

Global Reach & Geographic Balance

- Customers in 175+ countries, operations in 37

Technology Leadership

- Process technology and product innovation



- Drive Basics strategy for competitive advantage
- Establish more market-facing businesses
- Extend geographic growth
- Actively manage portfolio
- Accelerate technology and innovation
- Continue to drive financial fitness

Building the Dow of Tomorrow



“We will strengthen our Basics Portfolio while lightening up on the assets, moving forward with our new projects in the Middle East and through new joint ventures, but only if by doing so we gain long-term competitive advantage.”

— Andrew Liveris
Chairman and CEO
(March, 2006)



Projects

Siam Cement Group (Thailand)
Saudi Aramco (Saudi Arabia)
Shenhua Group (China)
National Oil Company (Libya)
Crystelsev (Brazil)
Gazprom/SIBUR (Russia)

Existing Asset JVs

CPChem (Americas)

And, Announcing Today . . .



A new 50/50 joint venture between ...



[A subsidiary of Kuwait Petroleum Company]



Scope

- Polyethylene
- Polypropylene
- Polycarbonate
- Ethyleneamines and ethanolamines
- Related technologies
- Fully dedicated hydrocarbon assets
 - Fort Saskatchewan, Canada (cracker)
 - Bahia Blanca, Argentina (cracker)
 - Tarragona, Spain (cracker and octene manufacturing facility)
- Ethylene supply agreements from Dow's other crackers

Creating a Polyolefins Leader



- No. 1 industry leader
- Advantaged feedstocks for growth
- Global franchise
- Unparalleled technology, R&D
- History of operational excellence
- Strong financial position
- Desire - and capability - to grow
- \$10.8 billion in revenue - Fortune 250 equivalent



- JV creates new global player with enhanced capabilities to grow - especially in China, India and the Middle East
- Preserves vertical integration for Dow's Performance Businesses
- Releases cash for Dow's continued transformation

TRANSACTION VALUE - \$19.1B (on 100% basis)

The New Enterprise



(If combined with EQUATE / MEGlobal / Equipolymers)

- \$14B in revenue
- 14 sites — 6,300 employees
- Broad supplier of plastics (PE / PP / PC / PET)
 - World's largest polyolefins producer
- World's largest EO / EG / EO derivatives company

A World-Class Competitive Petrochemical Giant



Saad Al-Shuwaib
CEO of Kuwait Petroleum Corporation



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Building the Dow of Tomorrow



- Four mega-trends are shaping the world for Dow and our customers
- Dow has unique capabilities to capitalize on these trends and provide unique solutions
 - Global footprint
 - Science and technology
 - Portfolio breadth and depth

Major Trends

Human Health

Dow Focus

Food
Nutrition
Wellness

Growth Vehicles

Dow AgroSciences

Dow Wolff
Cellulosics

Specialty Plastics
&
Specialty Chemicals

Key Dow Capabilities

Biotechnology

Water Soluble
Materials

Advanced
Packaging
Materials

Crop Protection

Major Trends

Energy

Dow Focus

Alternative Energy Solutions
Energy Efficiency Solutions

Growth Vehicles

Dow Building Solutions
Dow Hydrocarbons
Dow Epoxy

Key Dow Capabilities

Insulation
Applied Energy Efficiency
CO2 Management
Building Integrated Photovoltaics

Major Trends

Infrastructure & Transportation

Dow Focus

Construction
Water Treatment
Transportation

Growth Vehicles

Dow Automotive
Dow Coating Solutions
Dow Water Solutions

Key Dow Capabilities

Building Materials
Advanced Materials Science
Filter/Membrane Elements
High Throughput Formulation Capability

Major Trends

Electronics & Communication

Down Focus

Advanced Materials

Growth Vehicles

Wire & Cable

Polyurethanes & PU Systems

Advanced Electronics Business

Key Down Capabilities

Optical Materials

PCB Materials

Advanced Materials Science

Interlayer Dielectrics

Major Trends	Human Health	Energy	Infrastructure & Transportation	Electronics & Communication
Dow Focus	<p>Food Nutrition Wellness</p>	<p>Alternative Energy Solutions Energy Efficiency Solutions</p>	<p>Construction Water Treatment Transportation</p>	<p>Advanced Materials</p>
Growth Vehicles	<p>Dow AgroSciences</p> <p>Dow Wolff Cellulosics</p> <p>Specialty Plastics & Specialty Chemicals</p>	<p>Dow Building Solutions</p> <p>Dow Hydrocarbons</p> <p>Dow Epoxy</p>	<p>Dow Automotive</p> <p>Dow Coating Solutions</p> <p>Dow Water Solutions</p>	<p>Wire & Cable</p> <p>Polyurethanes & PU Systems</p> <p>Advanced Electronics Business</p>
Key Dow Capabilities	<p>Biotechnology</p> <p>Water Soluble Materials</p> <p>Advanced Packaging Materials</p> <p>Crop Protection</p>	<p>Insulation</p> <p>Applied Energy Efficiency</p> <p>CO2 Management</p> <p>Building Integrated Photovoltaics</p>	<p>Building Materials</p> <p>Advanced Materials Science</p> <p>Filter/Membrane Elements</p> <p>High Throughput Formulation Capability</p>	<p>Optical Materials</p> <p>PCB Materials</p> <p>Advanced Materials Science</p> <p>Interlayer Dielectrics</p>

CEO Priorities (March, 2006)



- Drive Basics strategy for competitive advantage
- Establish more market-facing businesses
- **Extend geographic growth**
- Actively manage portfolio
- Accelerate technology and innovation
- Continue to drive financial fitness

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Extend Geographic Growth



- R&D and IT centers in China
- Epoxy in China
- Glycol Ethers and Latex in China
- TDI in Brazil
- Ag seeds facilities in Brazil (3 cities)
- Latex, PU Systems in Brazil
- R&D center in India
- Gazprom discussions in Russia
- National Oil Company in Libya
- Methane-to-Chemicals research in China
- Manufacturing & Engineering in India
- Support Services in India
- Dow Automotive in Dow Central Germany
- Styrofoam in Russia
- PU Systems in Russia
- Dow Izolan in Russia
- Zhejiang Omex Environmental Engineering in China
- Rompetrol Petrochemicals agreement in Romania
- Liquid crackers in Thailand

Dow's annual revenue growth rate in emerging economies has been twice the growth rate in established regions.



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Actively Manage Portfolio



Since beginning of 2003

- 92 Plants shutdown or announced
- 42 Sites exited or announced
- 38 Businesses divested



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Building the Dow of Tomorrow



- New Product Sales = 33% of total
- Patent applications have doubled in the last five years
 - 551 in 2002 vs. ~1,100 in 2007
- Project pipeline has doubled in last 10 years
 - ~\$5B in 1997 vs. ~\$10B today
- Elite global talent pool working on >600 R&D projects
 - Potential EBIT of \$2B by 2011

Ranked as one of Top 10 R&D companies - *R&D Magazine*

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Building the Dow of Tomorrow



Geoffery E. Merszei

Executive Vice President and Chief Financial Officer
The Dow Chemical Company

Transaction Financial Highlights



- MOU signed - December 2007
- Estimated closing - year-end 2008
- 2006 revenue of businesses in new JV - \$10.8B
- 2006 EBITDA of businesses in new JV - \$2.5B
- Valuation - \$19.1B (100% basis)
- Estimated pre-tax cash to Dow - \$9.5B

Pro Forma Income Statement - 2006



	<u>Pre-transaction</u>		<u>Post-transaction</u>	
<i>Dollars in billions</i>	Dow	JVs*	Dow	JVs*
Sales	49.1	5.9	38.3	11.3
Net Income	4.1	1.0	3.4	1.7

**Dow's proportional share of nonconsolidated affiliates' sales and net income.*

Dow's share of JV sales are not included in Dow's consolidated financial statements.

Dow's net income includes Dow's share of JV net income, recorded as earnings in nonconsolidated affiliates



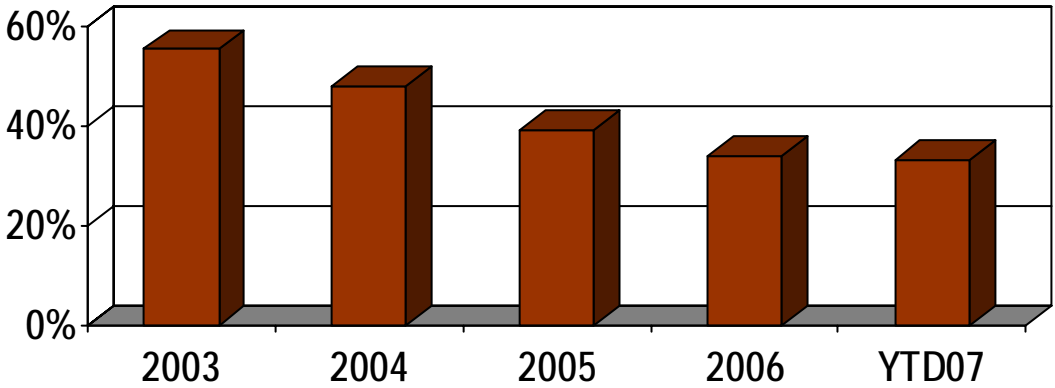
- Dow's financial strategy
 - Create an earnings profile that is more consistent and has higher growth
 - Retain financial flexibility

- Two fundamental components
 - Financial discipline
 - Uses of cash

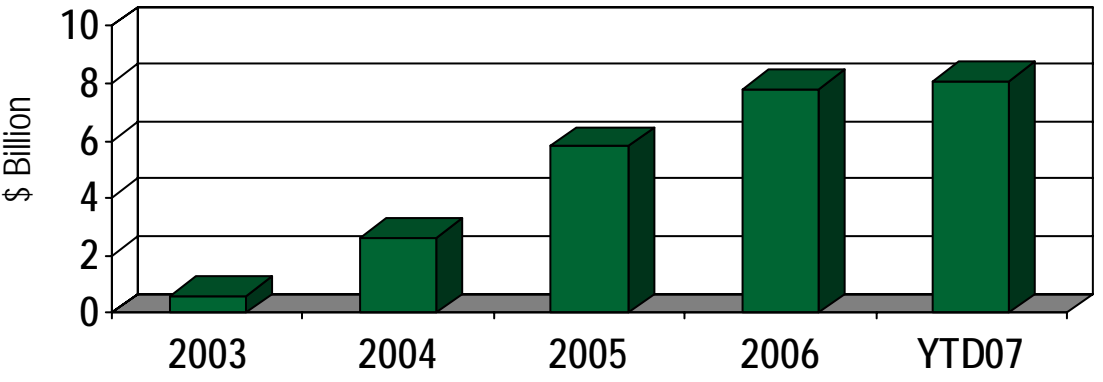
Rigorous Financial Discipline



Debt to Total Capital



Cumulative Reduction in Financial Obligations*

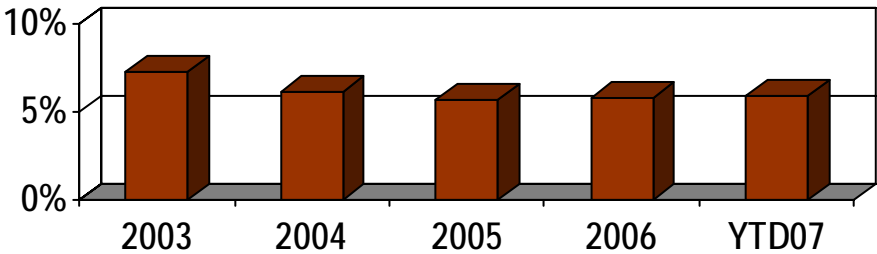


**Includes on and off balance sheet debt plus pension contributions*

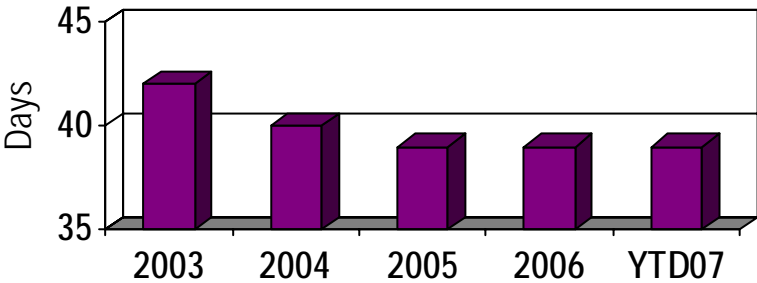
Rigorous Financial Discipline



SARD as % of Sales

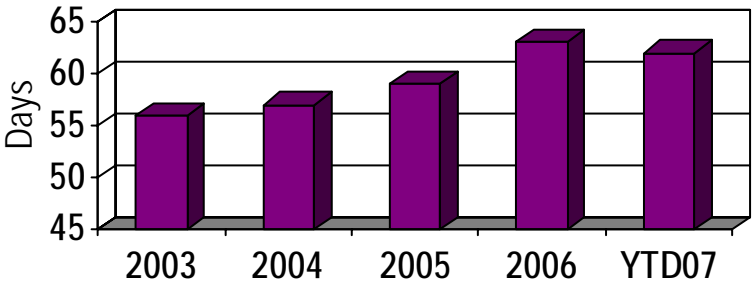


DSO

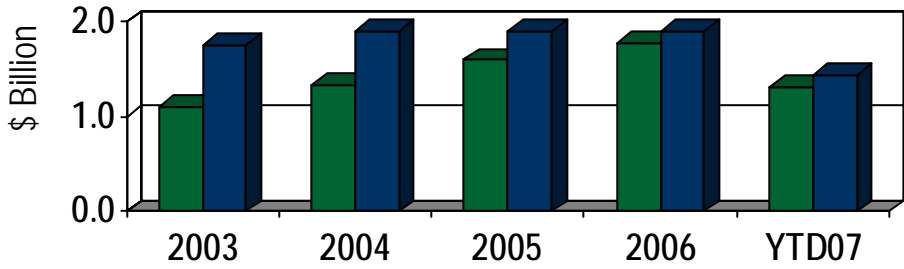


Working Capital

DSI

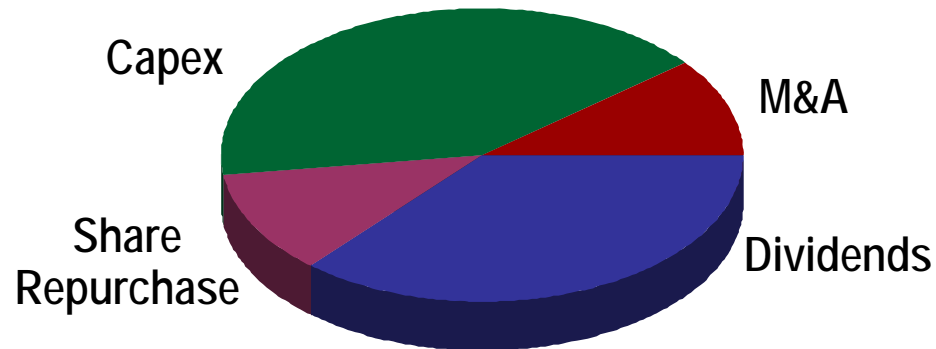


Capex



- Depreciation
- Capex

2003 – 2007 YTD



Maintain Balance

- Reward shareholders
- Grow the company

Disciplined M&A Strategy

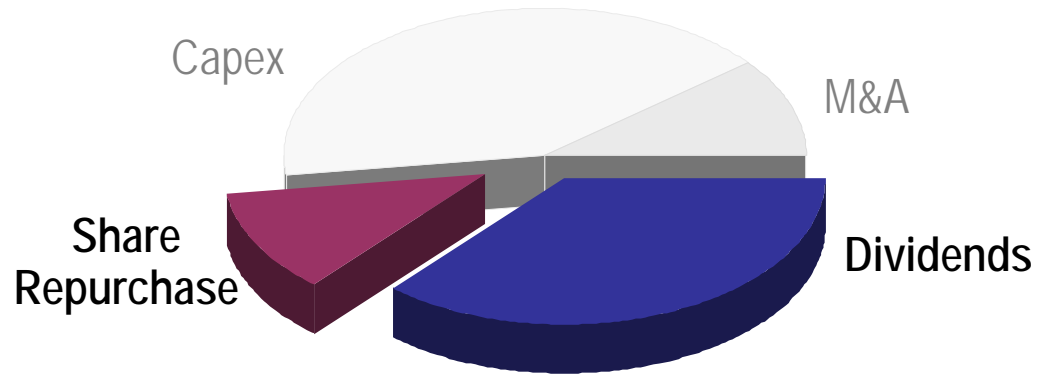


- Ensure strategic fit with growth drivers
- Ensure financial fit

- Measure financial fit with Dow's M&A metrics
 - DCF
 - IRR
 - Pay-back period
 - Accretion

- Ensure transaction is consistent with financial strategy

2003 – 2007 YTD



Maintain Balance

- Reward shareholders
- Grow the company



- Dividend
 - Quarterly dividend maintained or raised for 95 years
 - Dividend raised 25% since January 2006

- Share Repurchase
 - 43 million shares repurchased since January 2006
 - Represents almost 5% of shares outstanding



- Marks a key milestone in Dow's transformation
- Enhances the value of the businesses placed into the new joint venture
- Increases financial flexibility to drive Dow's future growth agenda
- Supports our ultimate goal: to maximize long-term shareholder value



Foundation established to be an earnings-growth company by:

- Preserving integration
- Mitigating cyclicity with new joint ventures
- Launching technology-driven / market businesses
- Aggressive portfolio management
- And ... today's milestone announcement creating a world-class petrochemicals giant



... A Disciplined, Action-Biased Approach

We will take our hard-earned firepower and continue our transformation in 2008

- Transformational M&A
 - Continue to pursue bolt-ons
 - Continue to evaluate medium-sized targets
 - Not averse to large transactions
- Reward our shareholders

