



The Dow Chemical Company

Morgan Stanley Global Chemicals and Agriculture Conference

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Vice Chairman and Chief Financial Officer

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The Dow Chemical Company

SEC Disclosure Rules

Some of our comments today 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 reference non-GAAP financial measures. Where available, presentation of and reconciliation to the most directly comparable GAAP financial measures and other associated disclosures are provided on the Internet at www.dow.com/investors.

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"EBITDA" is defined as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization.

"Operating EBITDA" is defined as EBITDA excluding the impact of Certain Items.

"Operating EBITDA Margin" is defined as "Operating EBITDA" as a percentage of reported net sales.

"Operating EPS" is defined as earnings per share excluding the impact of Certain Items.

"Adjusted Sales" is defined as "Net Sales" less prior period divestitures and current period acquisitions.

"Operating Return on Capital" is on a trailing twelve-month basis and defined as Adjusted Net Operating Profit After Tax divided by Average Total Capital.

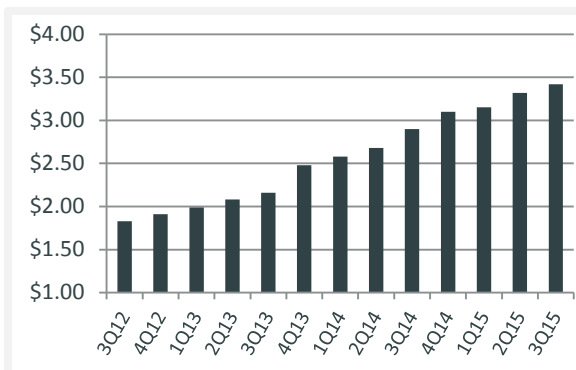
"Free Cash Flow" is defined as Cash from Operations less Capital Expenditures.

Agenda

- **Completed Portfolio Actions**
- **Strategic Drivers**
- **Next 24 – 36 Months**
- **Outlook**

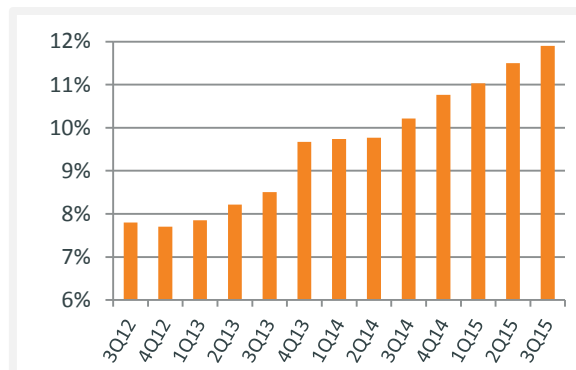
Financial Performance Metrics (on a trailing twelve-month basis)

Operating EPS



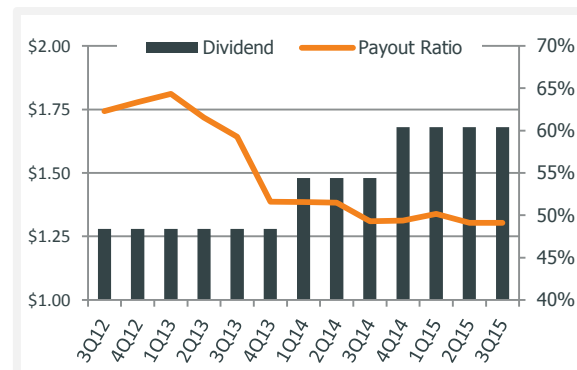
Target: 10% average annual EPS

Operating ROC



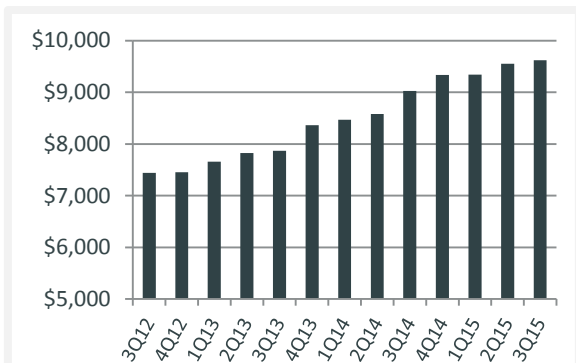
Target: return 3% above Cost of Capital

Annualized Dividends Declared

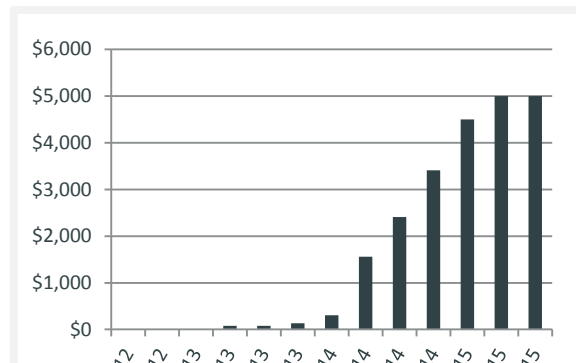


Payout Ratio Target: 45% of Net Income

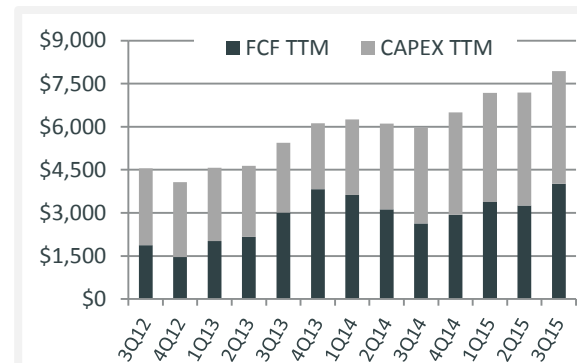
Operating EBITDA (in \$MM)



Cumulative Share Buy-Back (\$MM)



Cash Flow (in \$MM)



Excluding the impact of K-Dow
Cash from Operations - Capital Expenditures = Free Cash Flow

\$20.4B Cash Flow From Operations¹; \$10.4B Returned to Shareholders; 410bps Improvement in TTM ROC Since 3Q12



1. Excludes impact from K-Dow settlement

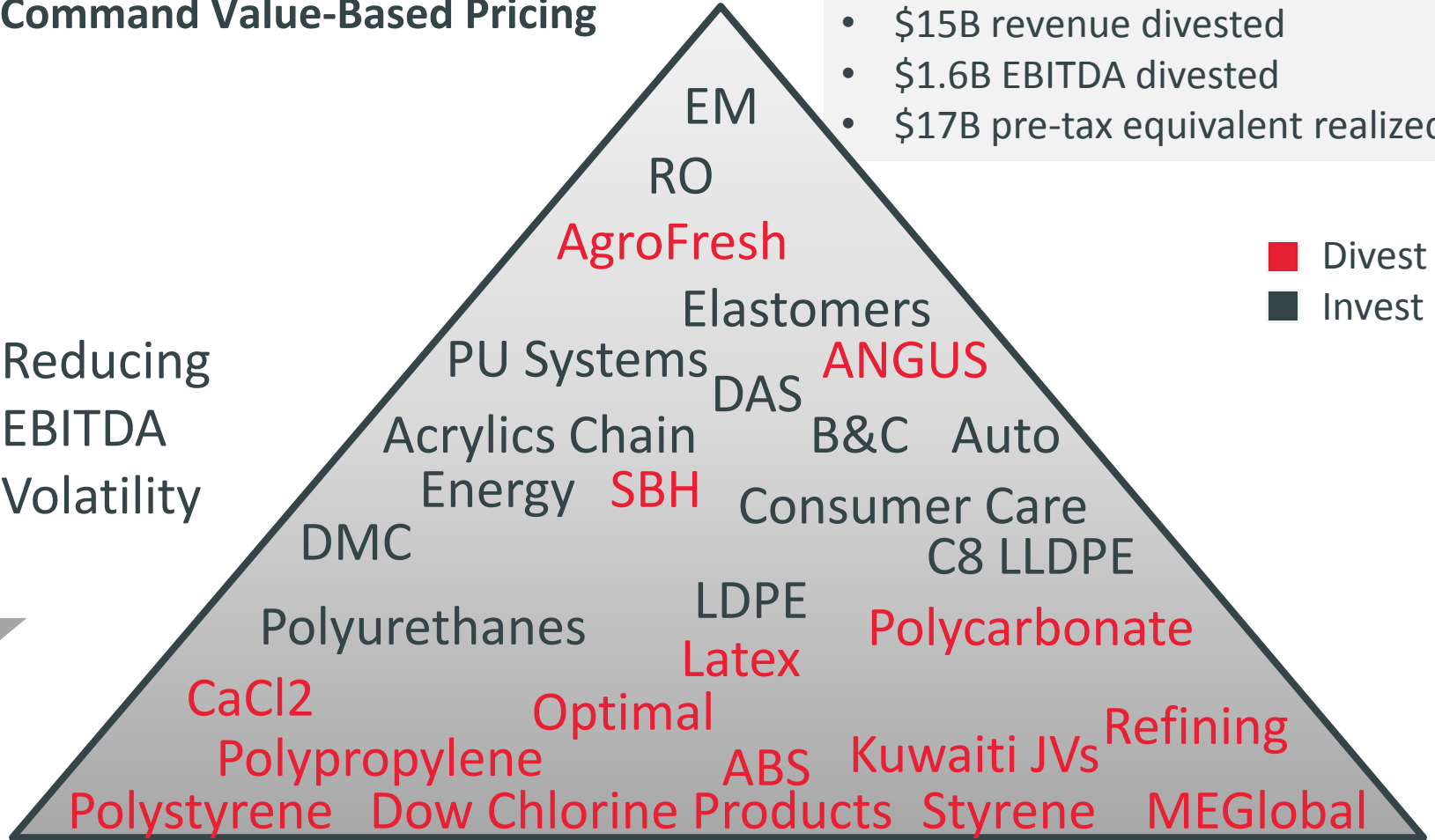
De-Commoditized Portfolio

Focusing on Businesses and Technology That Command Value-Based Pricing

Low

High

Reducing
EBITDA
Volatility



...Since 2009

- \$15B revenue divested
- \$1.6B EBITDA divested
- \$17B pre-tax equivalent realized

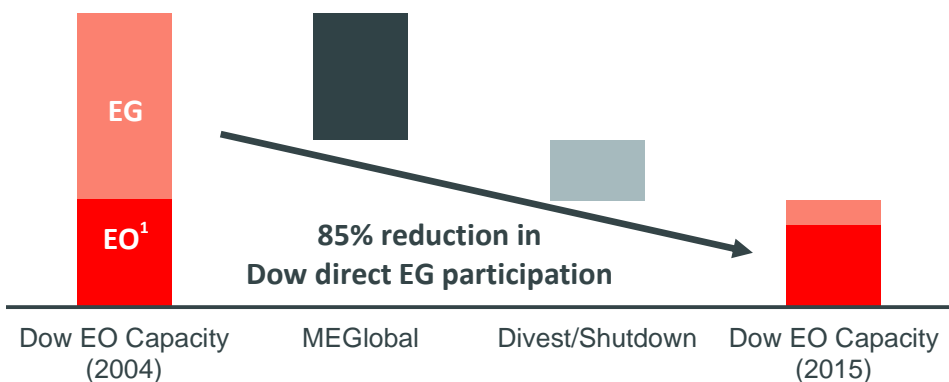
- Divest
- Invest

Driving Reliable Margins



Stepping Down – Right-Size Specialty Ethylene Derivatives and Chlorine Envelopes

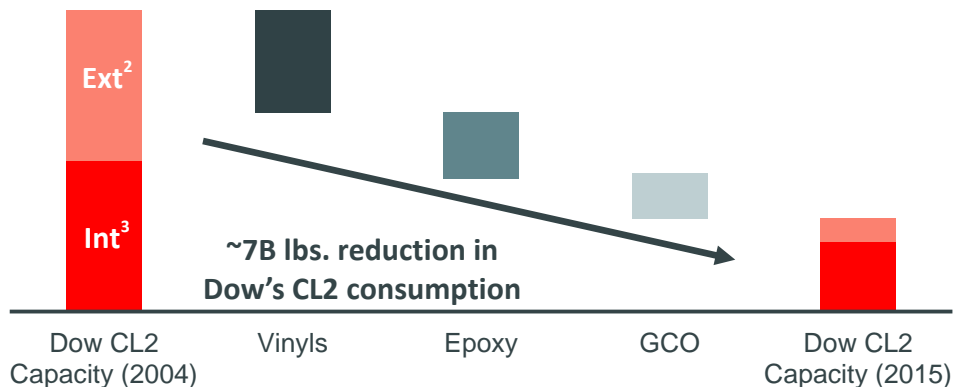
Right-Size EO Envelope and Move Away from Commodity Applications



EO/EG Actions Taken

- Reduced ownership of NAA EO/EG capacity with MEGlobal JV formation (2004)
- Shutdown capacity in St. Charles (2009)
- Sold interest in Optimal (2009)
- Shutdown capacity in Wilton, U.K. (2010)
- Converted to EO-only operation in Terneuzen (2009) and St. Charles (2011)
- Maintain modest EG flywheel to maximize EO operations

Right-Size Chlorine Envelope and Reduce Exposure to Highly-Cyclical End Markets



Chlorine Actions Taken

- Shutdown chlorine and EDC capacity in Fort Saskatchewan (2006)
- Shutdown chlorine capacity in Freeport (2009)
- Shutdown VCM capacity in Texas and Louisiana (2011)
- Shutdown EDC capacity in Louisiana (2011)
- Announced shutdown of chlorine capacity in Freeport (2013)
- Completed DCP divestiture with Olin (2015)

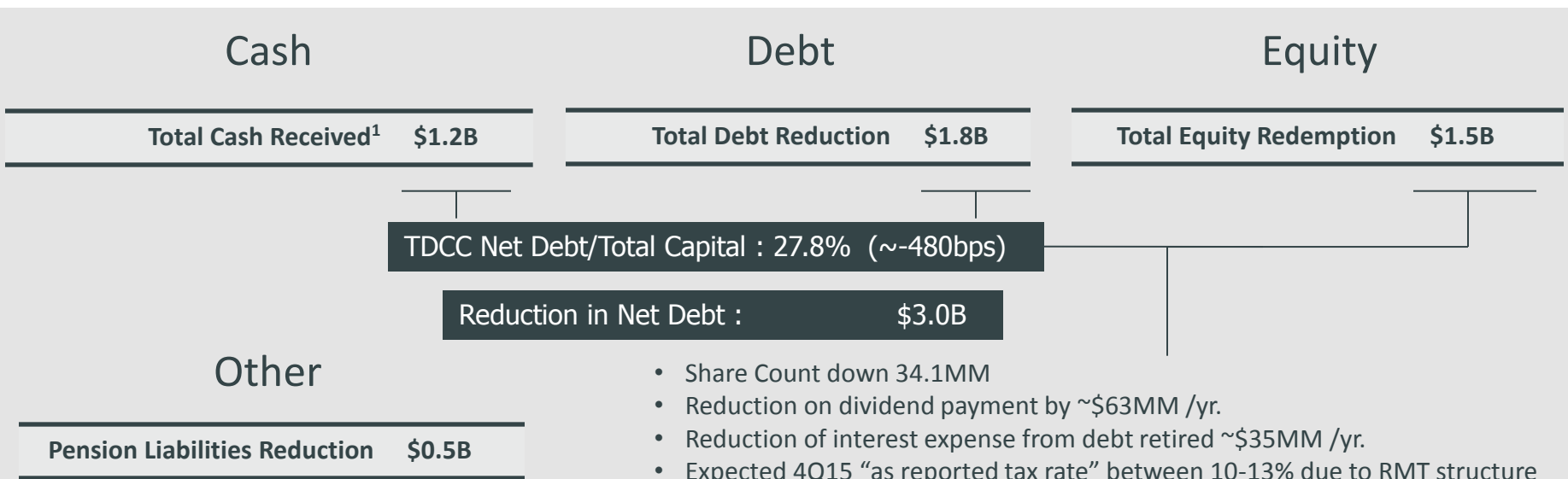


1. Non-EG ethylene oxide derivatives
 2. External use
 3. Internal use

DCP Transaction Rewards Shareholders

Total value received: \$5.0B

- \$1.5B in total share buyback
- \$3.0B debt reduction and cash
- \$0.5B reduction in pension liability



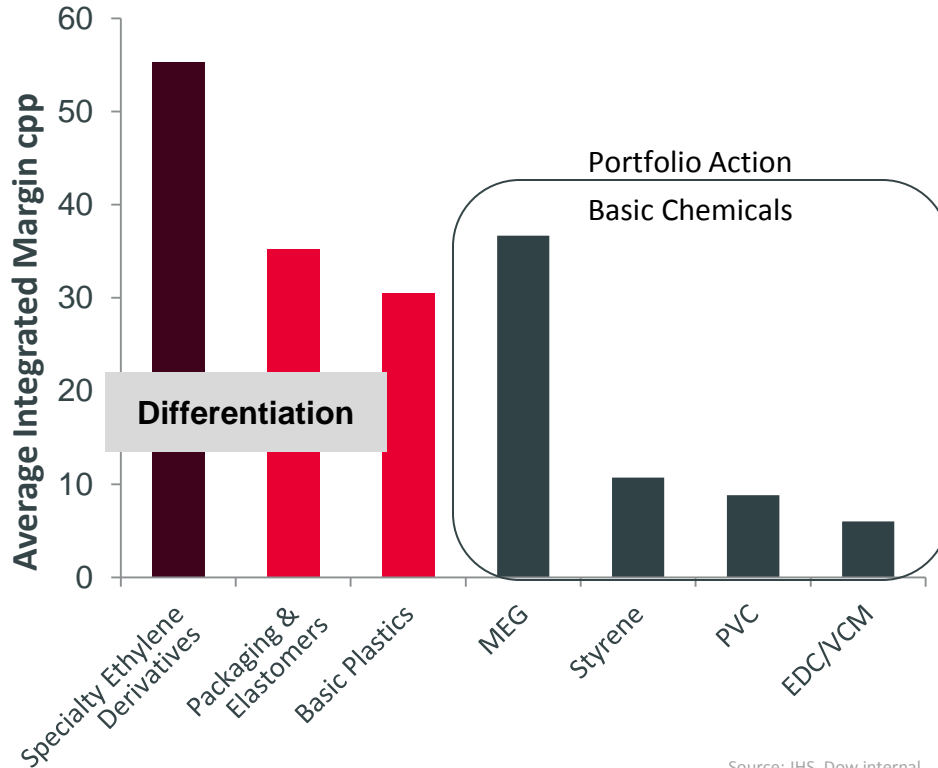
**Cash Received Enabled Acceleration of Share Buyback
Planned Buybacks of \$1B in 4Q15 and \$2B in 2016**



1. Includes the separate ethylene capacity rights payment

Focusing Asset Base Toward Highest Value

U.S. Margins for Ethylene Based Products
2010-2014



Source: IHS, Dow internal

Purple: Parts of the Consumer Solutions, Infrastructure Solutions and Performance Materials & Chemicals operating segments
 Red : Part of the Performance Plastics operating segment
 Grey: Part of the Performance Materials & Chemicals operating segment

Dow is Focused on Participation in Highest Value Markets

- Dow participation in highest margin markets for ethylene¹
 - **64% in 2002**
 - 83% in 2015
 - **89% in 2018**
- Packaging and Specialty Plastics and EO specialty derivatives require channel and innovation competencies that are core to Dow
- Basic plastics is a flywheel for Dow, allowing full leverage of our leadership position in PE scale
- PVC and VCM markets are lower margin uses of ethylene that are heavily commoditized



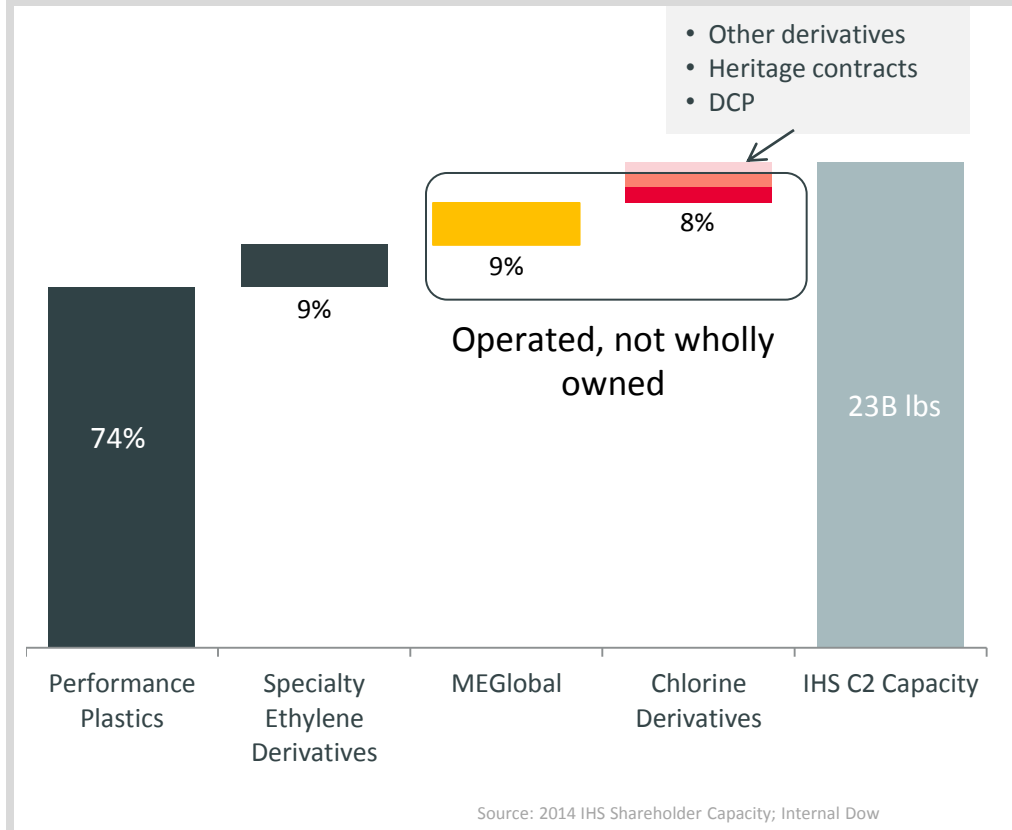
1. Based on IHS shareholder capacity

Going Deeper in Higher Margin Chains

Focused Uses of Ethylene

- 83% of operated capacity goes directly into high-margin markets
- Sold ethylene capacity to MEGlobal in 2004 – reduced exposure to glycols
- Sale of ethylene to Olin at reinvestment economics
- Last layer of legacy vinyl contract exposure ends in 2020

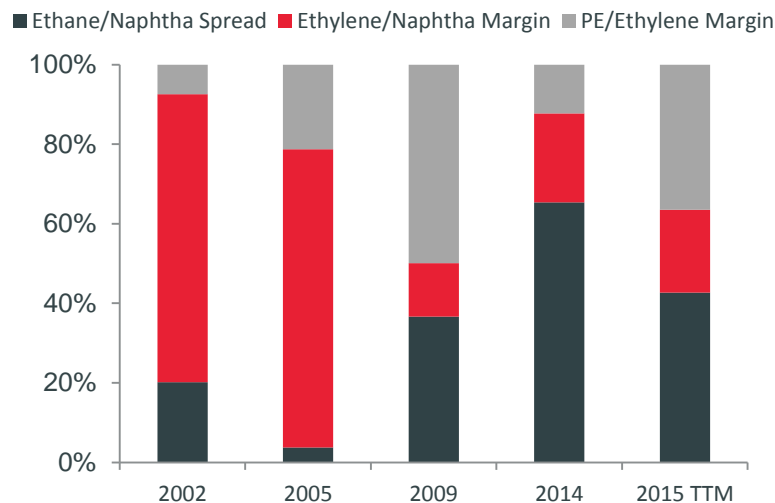
Dow Ethylene Capacity Utilization



Focused Investment in Value-Added Markets

Maximizing Long-Term Shareholder Value

Sources of Value Vary Over Time





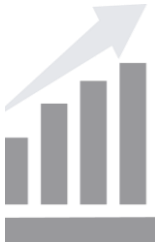

Source: 2014 IHS Shareholder Capacity; Internal Dow; Bloomberg

	2002	2005	2009	2014	2015 ¹ TTM
TDCC Operating EBITDA (\$B)	\$3.0	\$8.5	\$5.3	\$9.3	\$9.6
Brent Oil Price (\$/bbl)	\$25	\$55	\$63	\$99	\$58

Optimizing Integrated Returns

- Run to maximize integrated volumes
 - Grow physical capacity
 - Best-in-class reliability
- Americas and Middle East – Gas-based economics
- Europe – LPG enables margin optimization across by-product price swings
- Oil-to-gas spread sets a higher earnings base
- Markets are tightening, driving higher integrated PE margins
- Dow differentiation adds a high return layer of consistent value on top of energy and supply/demand dynamics

Delivering on Our Commitments from 2013-2015

	Commitment	Result
 Operational Excellence	<ul style="list-style-type: none"> • \$1.75B productivity program (2013) • \$1B productivity program (2015-2017) • Sell out/sell up – driving higher op. rate through differentiation 	<ul style="list-style-type: none"> • Completed \$1.75B 2013 productivity program; • YTD have completed \$208MM of 2015-2017 program • Increased operating rate 470bps¹ • 8th consecutive qtr. YoY volume growth, ex. acquisitions and divestitures
 Portfolio Management	<ul style="list-style-type: none"> • M&A proceeds – \$7B-\$8.5B • Joint venture focus 	<ul style="list-style-type: none"> • \$12B in pre-tax consideration • DCP, AgroFresh, SBH, Angus • Univation LLC
 Growth Engines	<ul style="list-style-type: none"> • Innovation • Sadara • USGC 	<ul style="list-style-type: none"> • Patent advantaged sales represent >20% of Dow's revenue and deliver >1,000bps margin premium • Polyols plant in Thailand • Quantum dots (4Q15) • RO investments starting up in 4Q15 • PDH starting up in 4Q • Sadara first products (2015) • LA3 starting up in 1Q16 • Tx9 plus four new derivatives and two debottlenecks all on track for 2017
 Returning Cash to Owners	<ul style="list-style-type: none"> • 10% EPS growth • 45% payout ratio • \$9.5B by 2017 share buyback 	<ul style="list-style-type: none"> • 3 year CAGR of 21% on EPS • Exceeded 45% payout ratio over last 5 yrs • \$6.5B share buybacks completed² • \$4.3B³ of dividends paid (since YE 2012)

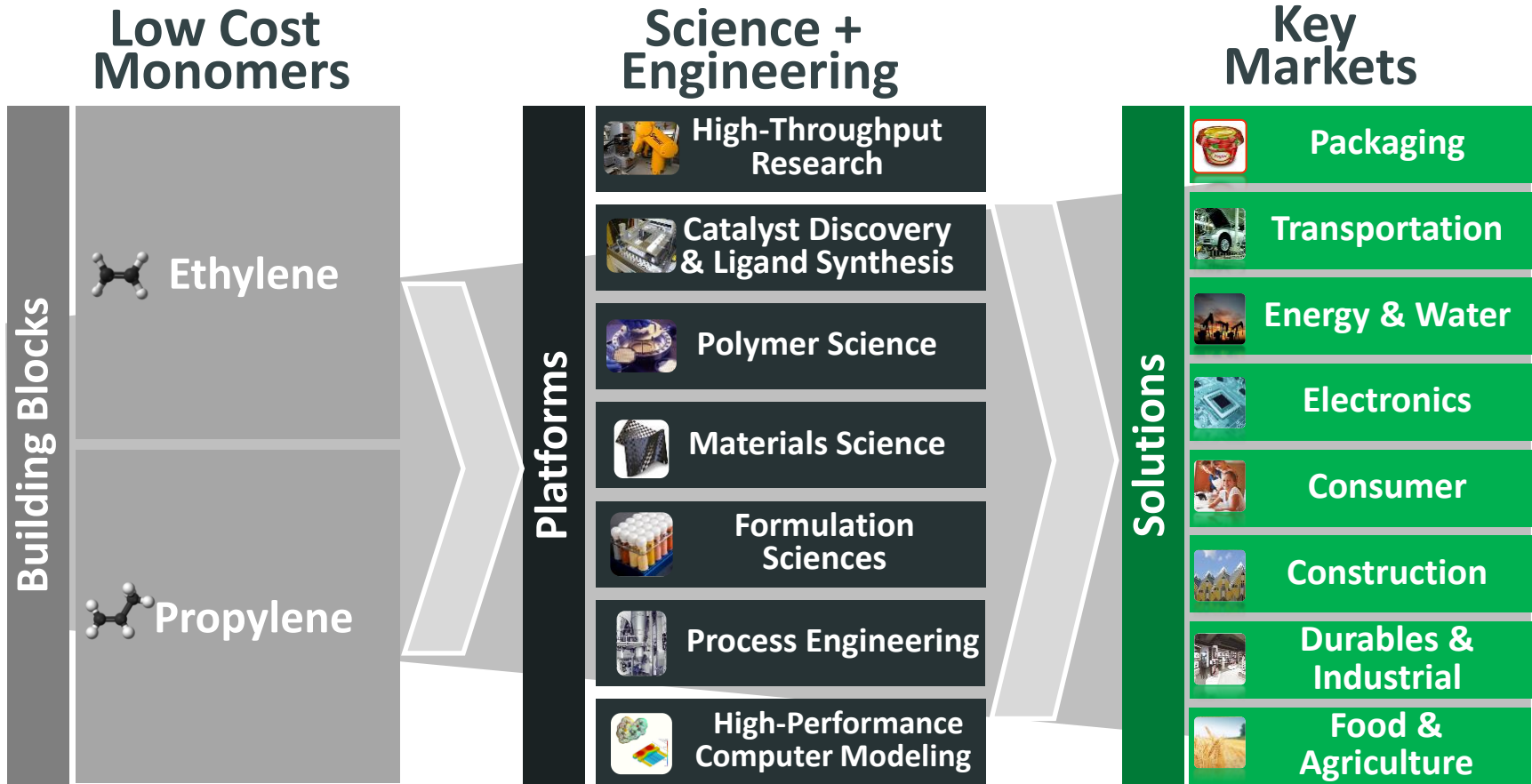


1. On a trailing twelve month basis
 2. Includes \$1.5B share buyback from DCP transaction
 3. 1Q13 dividend paid in advance, in 4Q12

Agenda

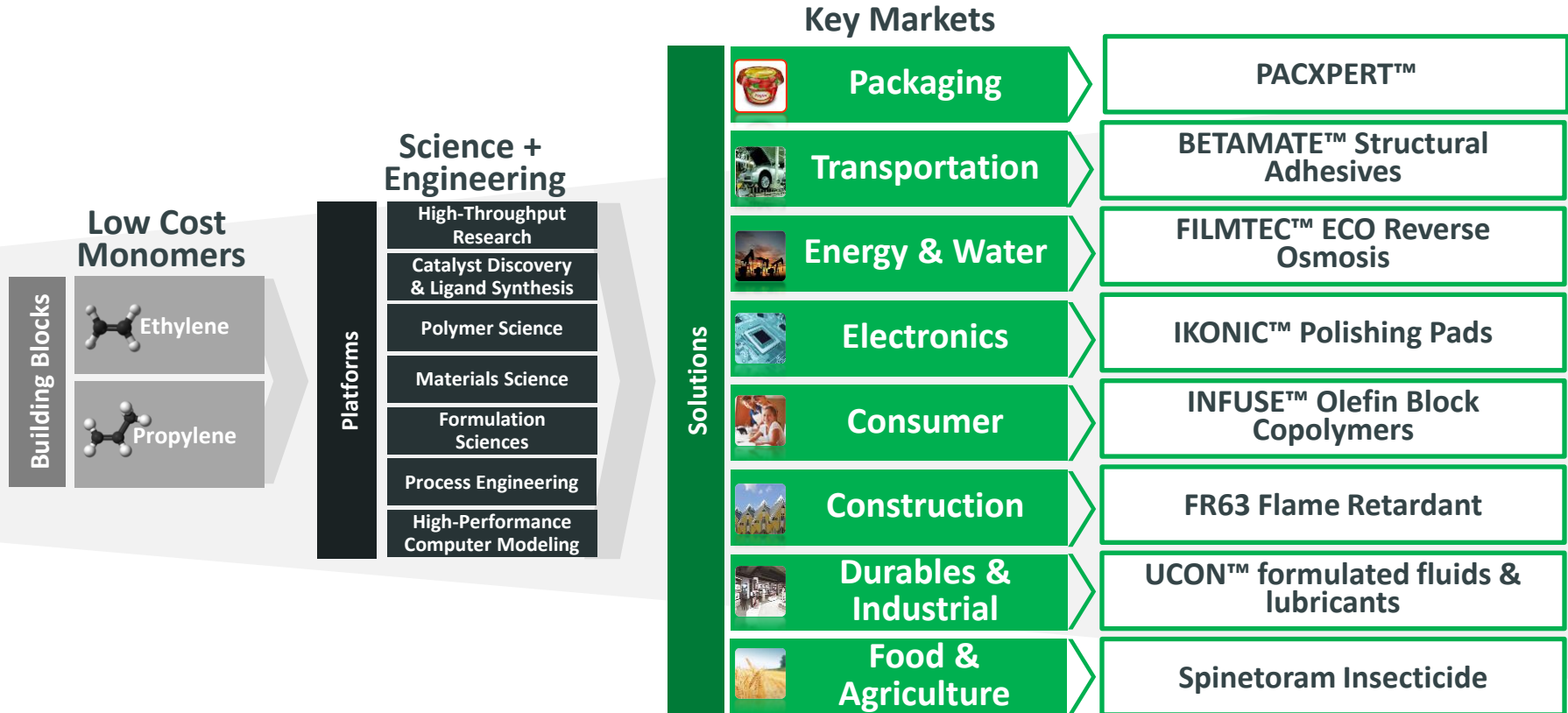
- Completed Portfolio Actions
- **Strategic Drivers**
- Next 24 – 36 Months
- Outlook

Dow's Unique Growth Drivers



Low-Cost, Integration and Collaborative Innovation Underpinned by Operational and Commercial Excellence

Going Narrower and Deeper



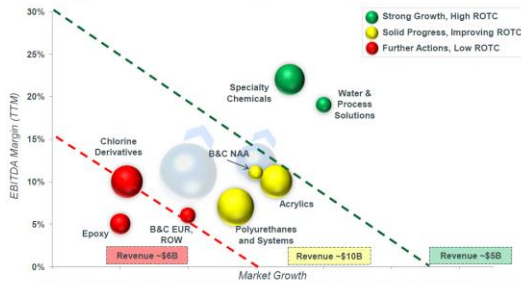
Narrower Market Selection Drives Higher Margins

Self-Help Lifts Returns

Challenges Addressed

- ✓ Polyurethanes
 - ✓ Building & Construction
 - ✓ CAV
 - ✓ Epoxy
 - ✓ GCO
 - ✓ Acrylics
- } DCP –
unlocked \$5B

Aggressive Drive to Lift Company Returns Coatings & Infrastructure Solutions and Performance Materials



Driving Broader Set of Options for Underperforming Units



Polyurethanes

- Sell-out/sell-up strategy
- \$100MM of annual cost reductions
- Triple-digit margin growth over the last two years
- Eight consecutive quarters of year-over-year margin expansion

Building & Construction

- Shift to differentiated offerings
- \$40MM of annual cost reductions
- Double-digit margin growth over the last two years
- 3Q15 quarterly EBITDA record

Acrylics Envelope¹

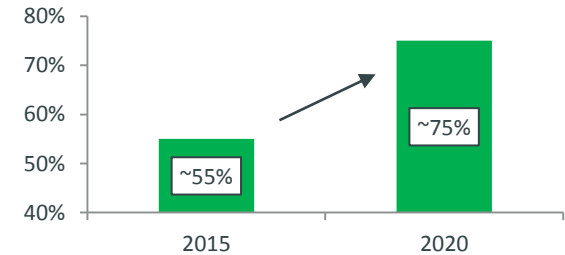
2013-2015

- \$50MM in cost reductions
- Broader market participation
 - Double-digit emulsion margin expansion

2015-2017

- Cost position improves \$80MM-\$150MM/yr.
- Variable margin expands \$130MM-\$200MM/yr.

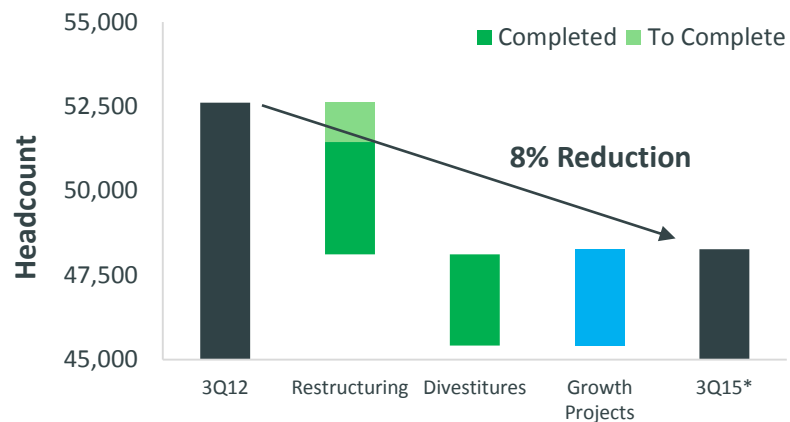
Targeted Drive Toward Captive Use



Drive Toward Captive Use of Monomer for Differentiated End Products

Disciplined Cost Control and Efficiency Underpins Targeted Growth in Key Markets

Streamlining and Focusing



* Excludes DCP and Associated Stranded Cost

Going Narrower and Deeper

Doing More with Less Delivers Value

- 8% reduction in headcount
- 6% increase in operating rate
- Aligning resources to deliver key growth projects

\$1B Productivity Program

- Removes functional-support costs related to portfolio moves
- Continues Dow's ongoing productivity drive
- \$208MM removed year to date
- On track to exceed \$300MM in 2015

Improving Operating Rate (TTM basis)



Delivering Growth Projects and Innovation



8% Reduction in Headcount and 6% Increase in Operating Rate, While Delivering Growth Projects

Agenda

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Near-Term Focus (Next 24–36 Months)

Execution focus – continue to grow earnings and cash flow

- Dow 10.0 program; \$1B of cost reductions in 3 yrs

Successfully start-up our large assets in Saudi Arabia and USGC

- \$2.5B/yr EBITDA from USGC
- \$500MM/yr equity income from Sadara

Drive clarity on future of our large JVs

- Kuwait
- Dow Corning

Further define/refine our portfolio

- Clarity on DAS best owner decision – exploring all options to maximize shareholder value

**Drive increased earnings growth, focus on EVA,
increasing cash flow – returning cash to shareholders**

Dow to Optimize Ownership in Kuwaiti JVs

Dow to Reduce Equity Base and Liberate Cash

- Phase 1:
 - EQUATE acquires MEGlobal for total equity consideration of \$3.2B
 - Dow to receive \$1.5B in pre-tax proceeds
 - Expected to close by YE 2015
 - Will drive efficiencies and cost savings due to existing synergies between MEGlobal and EQUATE
- Phase 2:
 - Dow and PIC have agreed that Dow will further reduce its overall ownership interest in Greater EQUATE
 - Timeline mid-2016
- MEGlobal to build MEG plant on U.S. Gulf Coast
 - Capture growth in a highly strategic region of the world
 - Drive expansion of MEGlobal's geographic footprint
 - Final location of the asset is contingent upon pending incentives

**Phase 1 Releases \$1.5B in Proceeds
While Expanding MEGlobal Capacity**



Note: These transactions have been documented via a non-binding Heads of Agreements, subject to finalization of definitive agreements.



~\$2.9B Revenue in 2013

- Producer of ethylene, PE, ethylene glycol and styrene
- Marketed throughout Middle East, Asia, Africa and Europe



~\$4.8B Revenue in 2013

World leader in the manufacture and marketing of ethylene glycol

MEGlobal to Build MEG Plant on USGC

- MEGlobal increases USGC shale exposure
- New assets will be globally competitive

Dow Value Drivers to Acquire Dow Corning

Dow Corning: Premier Global Silicone Platform

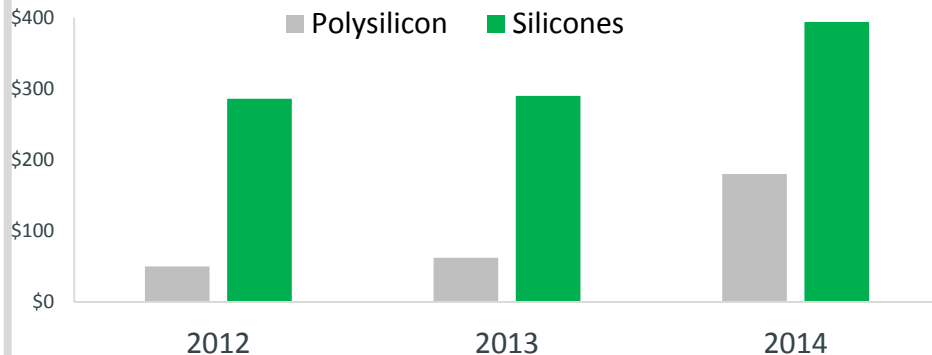
- \$6.2B Revenue
 - \$1.4B Adjusted EBITDA¹
 - 22% Adjusted EBITDA Margin
 - \$1.1B Cash from Ops.
 - \$663MM SG&A
 - 11% of Revenue
 - 4-5% R&D % of Revenue
- Segments:
 - Silicones
 - Polysilicon
 - 11,000 employees globally
 - 62 office and manufacturing locations globally

Source: 2014 Corning Inc. 10K and Dow Corning "Fast Facts" Publication

Value Drivers

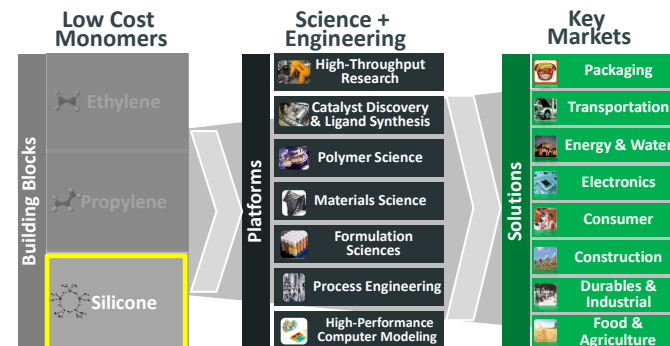
- ✓ Cost synergies from reduction of duplicative resources and processes
- ✓ Complimentary offerings and adjacencies in key markets drive quick win cross-selling opportunities
- ✓ Broaden market reach while also going deeper into key markets
- ✓ Streamline and increase collaboration in developing innovative solutions
- ✓ Low cost silicone monomer position

Silicone Drives Core Equity Earnings (\$MM)



Source: 2014 Corning, Inc. 10K

Silicone: Natural Fit in the Dow Model



1. Adjusted EBITDA = Net Sales – Cost of Sales – Marketing and Administrative Expenses + Depreciation and Amortization

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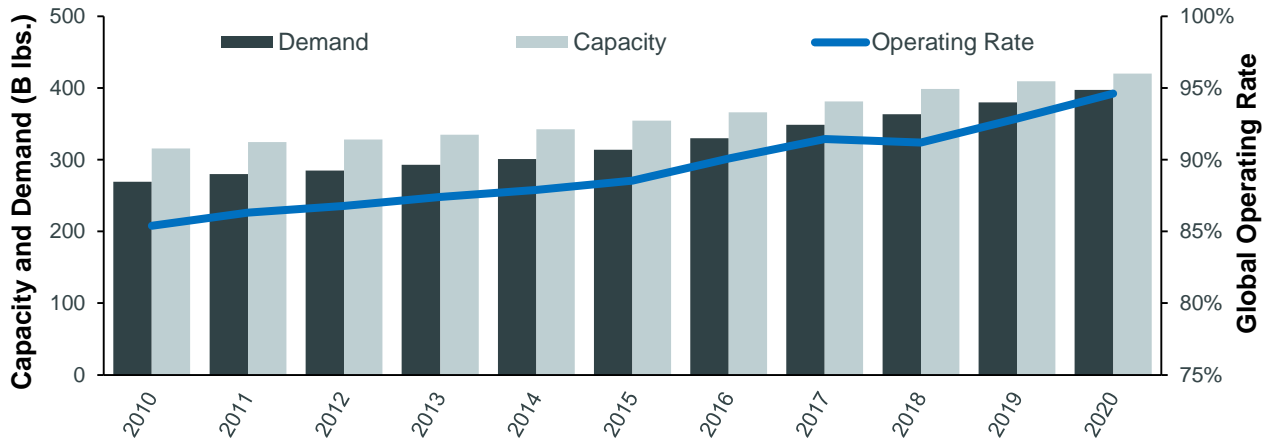
Market Outlook

- North America remains robust; Europe demand is rising
- China demand driven by consumer needs and is growing
- Gradual recovery of oil market keeps gas-based cracking advantaged
- Other emerging markets showing growth, except Brazil
- Plastics chain supply/demand dynamics tightening and has upside
- New materials enabling further light-weighting of cars and expansion into adjacent markets
- Urbanization driving demand in polyurethanes, electronics, elastomers, construction and automotive

Demand for Dow's Products Drives Long-Term Value Growth

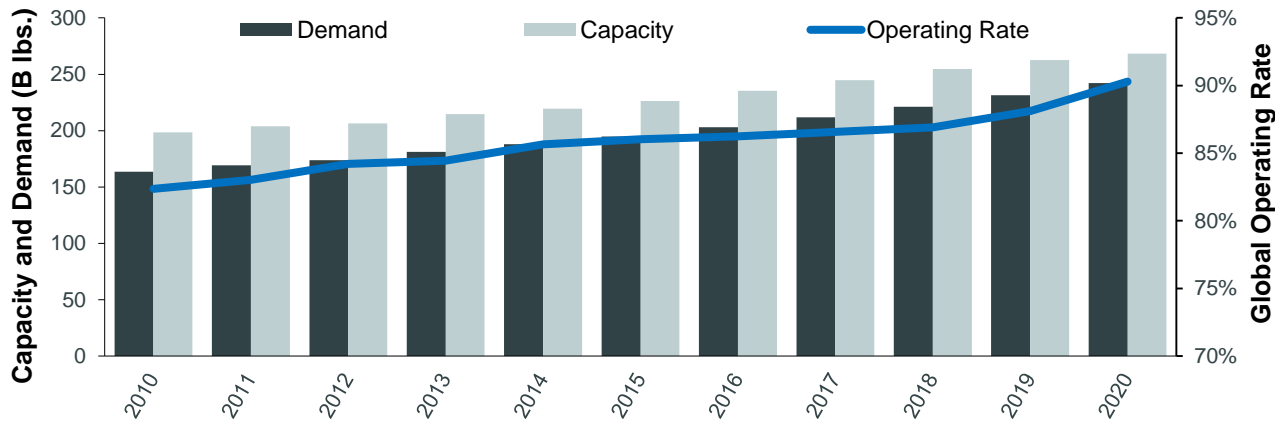
Integrated Polyethylene and Elastomers Balances Remain Favorable

Global Ethylene – Demand / Capacity / Operating Rate



- Balances expected to tighten over next several years
- Oil uncertainties lead to >7MMT of project delays or 9MMT under pressure
- Supply risks persist as industry continues to operate an aging fleet

Global Polyethylene – Demand / Capacity / Operating Rate



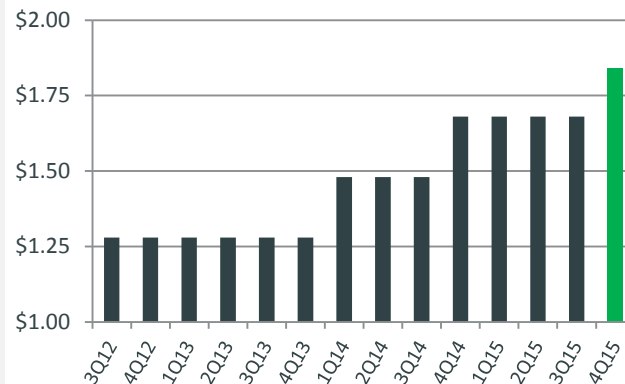
- Reasonable delays with projects under construction and as new participants climb the experience curve (Iran and China)
- Iranian export capacity destined for Chinese HDPE market and other highly commoditized applications

Returning Cash to Our Shareholders

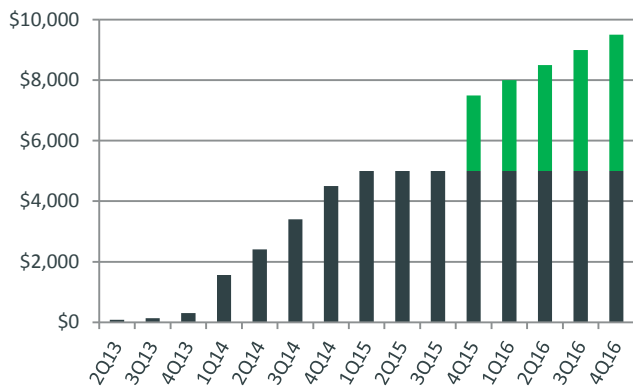
Dividend Increase to \$1.84 per Share

- Higher earnings drive dividends higher
- New historic dividend level

Annualized Dividends Declared



Cumulative Share Buy-Back (\$MM)



Complete \$5B Share Buy-Back

- \$0.5B share buybacks in 1Q15
- Olin transaction resulted in \$1.5B of common share buybacks in 4Q15
- **\$1B of additional share buybacks in 4Q15**
- Target to complete remaining \$2B of open program in 2016

\$10.4B Cash to Shareholders Since 3Q12

Cash Flow Drives Shareholder Returns



Portfolio optimization increases resiliency



Disciplined execution of strategy delivers results



Consistent increases in earnings, dividends and share buybacks reward shareholders

