DOW CHEMICAL CO /DE/
Form 10-Q
October 29, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 2013

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

Commission File Number: 1-3433
THE DOW CHEMICAL COMPANY
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	38-1285128 (I.R.S. Employer Identification No.)

2030 DOW CENTER, MIDLAND, MICHIGAN 48674
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: 989-636-1000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
þ Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes þ No

Class	Outstanding at September 30, 2013
Common Stock, par value $2.50 per share	1,212,865,976 shares

Table of Contents

The Dow Chemical Company
QUARTERLY REPORT ON FORM 10-Q
For the quarterly period ended September 30, 2013
TABLE OF CONTENTS

		PAGE
PART I – FINANCIAL INFORMATION		
Item 1.	Financial Statements	4
	Consolidated Statements of Income	4
	Consolidated Statements of Comprehensive Income	5
	Consolidated Balance Sheets	6
	Consolidated Statements of Cash Flows	7
	Consolidated Statements of Equity	8
	Notes to the Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
	Results of Operations	44
	Changes in Financial Condition	56
	Other Matters	61
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	63
Item 4.	Controls and Procedures	64
PART II – OTHER INFORMATION		
Item 1.	Legal Proceedings	65
Item 1A.	Risk Factors	65
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	66
Item 4.	Mine Safety Disclosures	66
Item 6.	Exhibits	66
SIGNATURE		68

EXHIBIT INDEX 69

Table of Contents

The Dow Chemical Company and Subsidiaries

FORWARD-LOOKING STATEMENTS

Certain statements in this report, other than purely historical information, including estimates, projections, statements relating to business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report including, without limitation, “Management's Discussion and Analysis,” and “Risk Factors.” These forward-looking statements are generally identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” be,” “will continue,” “will likely result” and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. A detailed discussion of principal risks and uncertainties which may cause actual results and events to differ materially from such forward-looking statements is included in the section titled “Risk Factors” (see Part II, Item 1A of this Quarterly Report on Form 10-Q; Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2013; and, Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2012). The Dow Chemical Company undertakes no obligation to update or revise publicly any forward-looking statements whether because of new information, future events, or otherwise, except as required by securities and other applicable laws.

Table of Contents

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Income

In millions, except per share amounts (Unaudited)	Three Months Ended		Nine Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net Sales	$13,734	$13,637	$42,694	$42,869
Cost of sales	11,716	11,368	35,526	35,853
Research and development expenses	418	434	1,270	1,245
Selling, general and administrative expenses	698	739	2,186	2,120
Amortization of intangibles	114	117	344	361
Restructuring charges	—	—	—	357
Equity in earnings of nonconsolidated affiliates	322	175	780	492
Sundry income (expense) - net	59	(21)	2,080	23
Interest income	11	10	29	26
Interest expense and amortization of debt discount	264	318	839	959
Income Before Income Taxes	916	825	5,418	2,515
Provision for income taxes	231	234	1,630	664
Net Income	685	591	3,788	1,851
Net income attributable to noncontrolling interests	6	9	49	38
Net Income Attributable to The Dow Chemical Company	679	582	3,739	1,813
Preferred stock dividends	85	85	255	255
Net Income Available for The Dow Chemical Company Common Stockholders	$594	$497	$3,484	$1,558
Per Common Share Data:				
Earnings per common share - basic	$0.50	$0.42	$2.92	$1.32
Earnings per common share - diluted	$0.49	$0.42	$2.88	$1.31
Common stock dividends declared per share of common stock	$0.32	$0.32	$0.96	$0.89
Weighted-average common shares outstanding - basic	1,187.4	1,172.7	1,184.9	1,167.8
Weighted-average common shares outstanding - diluted	1,194.2	1,179.5	1,287.8	1,174.9
Depreciation	$509	$514	$1,518	$1,530
Capital Expenditures	$566	$622	$1,418	$1,605

See Notes to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Comprehensive Income

In millions (Unaudited)	Three Months Ended		Nine Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net Income	$685	$591	$3,788	$1,851
Other Comprehensive Income, Net of Tax				
Net change in unrealized gains (losses) on investments	20	31	(11)	63
Translation adjustments	303	339	34	165
Adjustments to pension and other postretirement benefit plans	149	97	432	279
Net gains (losses) on cash flow hedging derivative instruments	(16)	19	(9)	8
Other comprehensive income	456	486	446	515
Comprehensive Income	1,141	1,077	4,234	2,366
Comprehensive income attributable to noncontrolling interests, net of tax	9	9	18	38
Comprehensive Income Attributable to The Dow Chemical Company	$1,132	$1,068	$4,216	$2,328

See Notes to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
Consolidated Balance Sheets

In millions (Unaudited)	Sep 30, 2013	Dec 31, 2012
Assets		
Current Assets		
Cash and cash equivalents (variable interest entities restricted - 2013: $170; 2012: $146)	$5,272	$4,318
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2013: $131; 2012: $121)	4,896	5,074
Other	4,880	4,605
Inventories	8,892	8,476
Deferred income tax assets - current	751	877
Other current assets	318	334
Total current assets	25,009	23,684
Investments		
Investment in nonconsolidated affiliates	4,244	4,121
Other investments (investments carried at fair value - 2013: $2,004; 2012: $2,061)	2,496	2,565
Noncurrent receivables	341	313
Total investments	7,081	6,999
Property		
Property	54,895	54,366
Less accumulated depreciation	37,535	36,846
Net property (variable interest entities restricted - 2013: $2,625; 2012: $2,554)	17,360	17,520
Other Assets		
Goodwill	12,767	12,739
Other intangible assets (net of accumulated amortization - 2013: $3,168; 2012: $2,785)	4,383	4,711
Deferred income tax assets - noncurrent	2,930	3,333
Asbestos-related insurance receivables - noncurrent	160	155
Deferred charges and other assets	516	464
Total other assets	20,756	21,402
Total Assets	$70,206	$69,605
Liabilities and Equity		
Current Liabilities		
Notes payable	$452	$396
Long-term debt due within one year	680	672
Accounts payable:		
Trade	4,864	5,010
Other	2,340	2,327
Income taxes payable	466	251
Deferred income tax liabilities - current	91	95
Dividends payable	466	86
Accrued and other current liabilities	2,634	2,656
Total current liabilities	11,993	11,493
Long-Term Debt (variable interest entities nonrecourse - 2013: $1,456; 2012: $1,406)	17,487	19,919
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	792	837
Pension and other postretirement benefits - noncurrent	11,020	11,459
Asbestos-related liabilities - noncurrent	483	530
Other noncurrent obligations	3,266	3,353

Total other noncurrent liabilities	15,561	16,179
Redeemable Noncontrolling Interest	147	147
Stockholders' Equity		
Preferred stock, series A	4,000	4,000
Common stock	3,042	3,008
Additional paid-in capital	3,701	3,281
Retained earnings	20,830	18,495
Accumulated other comprehensive loss	(7,070)	(7,516)
Unearned ESOP shares	(364)	(391)
Treasury stock at cost	(134)	—
The Dow Chemical Company's stockholders' equity	24,005	20,877
Noncontrolling interests	1,013	990
Total equity	25,018	21,867
Total Liabilities and Equity	$70,206	$69,605

See Notes to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Cash Flows

In millions (Unaudited)	Nine Months Ended Sep 30, 2013	Sep 30, 2012
Operating Activities		
Net Income	$3,788	$1,851
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,992	2,018
Provision (credit) for deferred income tax	123	(170)
Earnings of nonconsolidated affiliates less than (in excess of) dividends received	(42)	92
Pension contributions	(802)	(836)
Net gain on sales of investments	(40)	(11)
Net gain on sales of property, businesses and consolidated companies	(35)	(72)
Other net loss	15	40
Net gain on sale of ownership interests in nonconsolidated affiliates	(30)	—
Restructuring charges	—	357
Loss on early extinguishment of debt	173	24
Excess tax benefits from share-based payment arrangements	(16)	(59)
Changes in assets and liabilities, net of effects of acquired and divested companies:		
Accounts and notes receivable	(780)	(2,399)
Proceeds from interests in trade accounts receivable conduits	688	2,190
Inventories	(426)	(1,039)
Accounts payable	(197)	(135)
Other assets and liabilities	1,179	673
Cash provided by operating activities	5,590	2,524
Investing Activities		
Capital expenditures	(1,418)	(1,605)
Proceeds from sale / leaseback of assets	39	—
Proceeds from sales of property, businesses and consolidated companies	68	74
Investments in consolidated companies, net of cash acquired	(18)	(27)
Investments in and loans to nonconsolidated affiliates	(78)	(226)
Distributions from nonconsolidated affiliates	18	16
Proceeds from sale of ownership interests in nonconsolidated affiliates	66	—
Purchases of investments	(367)	(393)
Proceeds from sales and maturities of investments	450	417
Cash used in investing activities	(1,240)	(1,744)
Financing Activities		
Changes in short-term notes payable	39	(98)
Proceeds from issuance of long-term debt	749	532
Payments on long-term debt	(3,314)	(1,786)
Purchases of treasury stock	(134)	—
Proceeds from issuance of common stock	247	207
Issuance costs on debt and equity securities	(5)	—
Excess tax benefits from share-based payment arrangements	16	59
Contributions from noncontrolling interests	35	—
Distributions to noncontrolling interests	(30)	(60)
Dividends paid to stockholders	(1,014)	(1,211)

Cash used in financing activities	(3,411)	(2,357)
Effect of Exchange Rate Changes on Cash	15	18
Summary		
Increase (decrease) in cash and cash equivalents	954	(1,559)
Cash and cash equivalents at beginning of year	4,318	5,444
Cash and cash equivalents at end of period	$5,272	$3,885

See Notes to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Equity

In millions (Unaudited)	Nine Months Ended Sep 30, 2013	Sep 30, 2012
Preferred Stock		
Balance at beginning of year and end of period	$4,000	$4,000
Common Stock		
Balance at beginning of year	3,008	2,961
Common stock issued	34	37
Balance at end of period	3,042	2,998
Additional Paid-in Capital		
Balance at beginning of year	3,281	2,663
Common stock issued	213	170
Stock-based compensation and allocation of ESOP shares	207	279
Balance at end of period	3,701	3,112
Retained Earnings		
Balance at beginning of year	18,495	19,087
Net income available for The Dow Chemical Company common stockholders	3,484	1,558
Dividends declared on common stock (per share: $0.96 in 2013, $0.89 in 2012)	(1,139)	(1,042)
Other	(10)	(12)
Balance at end of period	20,830	19,591
Accumulated Other Comprehensive Loss		
Balance at beginning of year	(7,516)	(5,996)
Other comprehensive income	446	515
Balance at end of period	(7,070)	(5,481)
Unearned ESOP Shares		
Balance at beginning of year	(391)	(434)
Shares allocated to ESOP participants	27	44
Balance at end of period	(364)	(390)
Treasury Stock		
Balance at beginning of year	—	—
Purchases	(134)	—
Balance at end of period	(134)	—
The Dow Chemical Company’s Stockholders’ Equity	24,005	23,830
Noncontrolling Interests		
Balance at beginning of year	990	1,010
Net income attributable to noncontrolling interests	49	38
Distributions to noncontrolling interests	(30)	(60)
Capital contributions (noncash capital contributions 2013: $-; 2012: $97)	35	97
Consolidation of a variable interest entity	—	37
Cumulative translation adjustments	(26)	9
Other	(5)	—
Balance at end of period	1,013	1,131
Total Equity	$25,018	$24,961

See Notes to the Consolidated Financial Statements.

8

Table of Contents

The Dow Chemical Company and Subsidiaries
(Unaudited) PART I – FINANCIAL INFORMATION, Item 1. Financial Statements
Notes to the Consolidated Financial Statements
Table of Contents

Note		Page
1	Consolidated Financial Statements	9
2	Recent Accounting Guidance	9
3	Restructuring	10
4	Inventories	12
5	Goodwill and Other Intangible Assets	12
6	Financial Instruments	13
7	Fair Value Measurements	19
8	Commitments and Contingent Liabilities	21
9	Transfers of Financial Assets	28
10	Notes Payable, Long-Term Debt and Available Credit Facilities	30
11	Variable Interest Entities	33
12	Pension Plans and Other Postretirement Benefits	35
13	Stock-Based Compensation	36
14	Earnings Per Share Calculations	37
15	Income Taxes	38
16	Accumulated Other Comprehensive Income (Loss)	39
17	Operating Segments and Geographic Areas	39
18	Subsequent Event	42

NOTE 1 – CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim consolidated financial statements of The Dow Chemical Company and its subsidiaries (“Dow” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and reflect all adjustments (including normal recurring accruals) which, in the opinion of management, are considered necessary for the fair presentation of the results for the periods presented. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

NOTE 2 – RECENT ACCOUNTING GUIDANCE

Recently Adopted Accounting Guidance

During the first quarter of 2013, the Company adopted Accounting Standards Update ("ASU") ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities," which requires entities to disclose both gross and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement and ASU 2013-01, "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Asset and Liabilities," which clarifies the scope of the offsetting disclosures of ASU 2011-11. The objective of the disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards. The adoption of these standards was immaterial to the consolidated financial statements.

During the first quarter of 2013, the Company adopted ASU 2013-02, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires entities to

provide information about the amounts reclassified out of accumulated other comprehensive income, by component. In addition, entities are required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, entities are required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail on these amounts. See Note 16 for the disclosures related to this adoption.

Table of Contents

Accounting Guidance Issued But Not Adopted as of September 30, 2013

In February 2013, the Financial Accounting Standards Board ("FASB") issued ASU 2013-04, "Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date," which defines how entities measure obligations from joint and several liability arrangements for which the total amount of the obligation is fixed at the reporting date and for which no guidance exists, except for obligations addressed within existing guidance in U.S. GAAP. The guidance also requires entities to disclose the nature and amount of the obligation as well as other information about those obligations. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective presentation for all comparative periods presented is required and early adoption is permitted. The Company is currently evaluating the impact of adopting this guidance.

In March 2013, the FASB issued ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which defines the treatment of the release of cumulative translation adjustments upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted and prior periods should not be adjusted. The Company does not expect the adoption of this guidance to have a material impact on the consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which defines the presentation requirements of an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted and retrospective application is permitted, but not required. The Company is currently evaluating the impact of adopting this guidance.

NOTE 3 – RESTRUCTURING

4Q12 Restructuring

On October 23, 2012, the Company's Board of Directors approved a restructuring plan ("4Q12 Restructuring") to advance the next stage of the Company's transformation and to address macroeconomic uncertainties. The 4Q12 Restructuring plan accelerates the Company's structural cost reduction program and will affect approximately 2,850 positions and result in the shutdown of approximately 20 manufacturing facilities. These actions are expected to be completed primarily by March 31, 2015. As a result of the 4Q12 Restructuring activities, the Company recorded pretax restructuring charges of $990 million in the fourth quarter of 2012 consisting of costs associated with exit or disposal activities of $39 million, severance costs of $375 million and asset write-downs and write-offs of $576 million.

The severance component of the 4Q12 Restructuring charge of $375 million was for the separation of approximately 2,850 employees under the terms of the Company's ongoing benefit arrangements, primarily by March 31, 2015. At December 31, 2012, severance of $8 million had been paid and a liability of $367 million remained for 2,767 employees. In the first nine months of 2013, severance of $183 million was paid, leaving a liability of $184 million for approximately 1,000 employees at September 30, 2013.

The following table summarizes the activities related to the Company's 4Q12 Restructuring reserve:

4Q12 Restructuring Activities In millions	Costs Associated with Exit or	Severance Costs	Total

	Disposal Activities		
Reserve balance at December 31, 2012	$30	$367	$397
Cash payments	(1)	(69)	(70)
Reserve balance at March 31, 2013	$29	$298	$327
Cash payments	(1)	(59)	(60)
Reserve balance at June 30, 2013	$28	$239	$267
Cash payments	(1)	(55)	(56)
Reserve balance at September 30, 2013	$27	$184	$211

Table of Contents

The reserve balance is included in the consolidated balance sheets as "Accrued and other current liabilities" and "Other noncurrent obligations."

1Q12 Restructuring

On March 27, 2012, the Company's Board of Directors approved a restructuring plan ("1Q12 Restructuring") to optimize its portfolio, respond to changing and volatile economic conditions, particularly in Western Europe, and to advance the Company's Efficiency for Growth program. The 1Q12 Restructuring plan included the shutdown of a number of manufacturing facilities and the elimination of approximately 900 positions. These actions are expected to be completed primarily by December 31, 2013. As a result of the 1Q12 Restructuring activities, the Company recorded pretax restructuring charges of $357 million in the first quarter of 2012 consisting of costs associated with exit or disposal activities of $150 million, severance costs of $113 million and asset write-downs and write-offs of $94 million. The impact of these charges was shown as "Restructuring charges" in the consolidated statements of income.

The severance component of the 1Q12 Restructuring charge of $113 million was for the separation of approximately 900 employees under the terms of the Company's ongoing benefit arrangements, primarily by December 31, 2013. At December 31, 2012, severance of $82 million had been paid and a liability of $31 million remained for 248 employees. In the first nine months of 2013, severance of $26 million was paid, leaving a liability of $5 million for approximately 70 employees at September 30, 2013.

The following table summarizes the activities related to the Company's 1Q12 Restructuring reserve:

1Q12 Restructuring Activities

In millions	Costs Associated with Exit or Disposal Activities	Severance Costs	Total
Reserve balance at December 31, 2012	$56	$31	$87
Cash payments	(4)	(20)	(24)
Noncash settlements	(7)	—	(7)
Foreign currency impact	(1)	—	(1)
Reserve balance at March 31, 2013	$44	$11	$55
Cash payments	(4)	(5)	(9)
Noncash settlements	(1)	—	(1)
Reserve balance at June 30, 2013	$39	$6	$45
Cash payments	(1)	(1)	(2)
Reserve balance at September 30, 2013	$38	$5	$43

The reserve balance is included in the consolidated balance sheets as "Accrued and other current liabilities."

Dow expects to incur additional costs in the future related to its restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and across geographic areas. Future costs are expected to include demolition costs related to closed facilities and restructuring plan implementation costs; these costs will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities. These costs cannot be reasonably estimated at this time.

Table of Contents

NOTE 4 – INVENTORIES

The following table provides a breakdown of inventories:

Inventories In millions	Sep 30, 2013	Dec 31, 2012
Finished goods	$4,872	$4,880
Work in process	2,223	1,910
Raw materials	929	866
Supplies	868	820
Total inventories	$8,892	$8,476

The reserves reducing inventories from the first-in, first-out ("FIFO") basis to the last-in, first-out ("LIFO") basis amounted to $857 million at September 30, 2013 and $842 million at December 31, 2012.

NOTE 5 – GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows the carrying amount of goodwill by operating segment:

Goodwill In millions	Electronic and Functional Materials	Coatings and Infra-structure Solutions	Ag Sciences	Perf Materials	Perf Plastics	Feedstocks and Energy	Total
Net goodwill at Dec 31, 2012	$4,945	$4,052	$1,558	$740	$1,381	$63	$12,739
Sale of a Plastics Additives product line	—	—	—	(3)	—	—	(3)
Foreign currency impact	9	13	—	1	8	—	31
Net goodwill at Sep 30, 2013	$4,954	$4,065	$1,558	$738	$1,389	$63	$12,767

The following table provides information regarding the Company's other intangible assets:

Other Intangible Assets	At September 30, 2013			At December 31, 2012		
In millions	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Intangible assets with finite lives:						
Licenses and intellectual property	$1,771	$(866)	$905	$1,729	$(747)	$982
Patents	124	(106)	18	120	(100)	20
Software	1,145	(597)	548	1,047	(548)	499
Trademarks	686	(329)	357	691	(285)	406
Customer related	3,630	(1,129)	2,501	3,688	(974)	2,714
Other	158	(141)	17	158	(131)	27
Total other intangible assets, finite lives	$7,514	$(3,168)	$4,346	$7,433	$(2,785)	$4,648
IPR&D (1), indefinite lives	37	—	37	63	—	63
Total other intangible assets	$7,551	$(3,168)	$4,383	$7,496	$(2,785)	$4,711

(1) In-process research and development ("IPR&D") purchased in a business combination.

The following table provides information regarding amortization expense related to intangible assets:

Amortization Expense	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Other intangible assets, excluding software	$114	$117	$344	$361
Software, included in “Cost of sales”	$15	$15	$48	$46

Table of Contents

Total estimated amortization expense for 2013 and the five succeeding fiscal years is as follows:

Estimated Amortization Expense In millions	
2013	$527
2014	$512
2015	$494
2016	$482
2017	$448
2018	$431

NOTE 6 – FINANCIAL INSTRUMENTS

Investments

The Company's investments in marketable securities are primarily classified as available-for-sale.

Investing Results In millions	Nine Months Ended Sep 30, 2013	 Sep 30, 2012
Proceeds from sales of available-for-sale securities	$409	$401
Gross realized gains	$63	$30
Gross realized losses	$(12)	$(10)

The following table summarizes the contractual maturities of the Company's investments in debt securities:

Contractual Maturities of Debt Securities at September 30, 2013 In millions	Amortized Cost	Fair Value
Within one year	$35	$35
One to five years	468	505
Six to ten years	552	567
After ten years	142	160
Total	$1,197	$1,267

At September 30, 2013, the Company had $1,625 million ($1,701 million at December 31, 2012) of held-to-maturity securities (primarily Treasury Bills) classified as cash equivalents, as these securities had original maturities of three months or less at the time of purchase. The Company's investments in held-to-maturity securities are held at amortized cost, which approximates fair value. At September 30, 2013, the Company had investments in money market funds of $463 million classified as cash equivalents ($252 million at December 31, 2012).

The net unrealized loss from mark-to-market adjustments recognized in earnings during the three-month period ended September 30, 2013 on trading securities held at September 30, 2013 was $1 million ($1 million gain during the three-month period ended September 30, 2012). The net unrealized loss from mark-to-market adjustments recognized in earnings during the nine-month period ended September 30, 2013 on trading securities held at September 30, 2013 was $11 million ($3 million gain during the nine-month period ended September 30, 2012).

Table of Contents

The following table provides the fair value and gross unrealized losses of the Company's investments that were deemed to be temporarily impaired at September 30, 2013 and December 31, 2012, aggregated by investment category:

Temporarily Impaired Securities Less than 12 Months (1)

In millions	At September 30, 2013		At December 31, 2012	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities:				
Government debt (2)	$100	$(5)	$—	$—
Corporate bonds	165	(5)	22	(1)
Total debt securities	$265	$(10)	$22	$(1)
Equity securities	169	(8)	30	(2)
Total temporarily impaired securities	$434	$(18)	$52	$(3)

(1) Unrealized losses of 12 months or more were less than $1 million.

(2) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities' obligations.

Portfolio managers regularly review the Company's holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the impairment, as well as the length of time it has been impaired. In addition, specific guidelines for each instrument type are followed to determine if an other-than-temporary impairment has occurred.

For debt securities, the credit rating of the issuer, current credit rating trends, the trends of the issuer's overall sector, the ability of the issuer to pay expected cash flows and the length of time the security has been in a loss position are considered in determining whether unrealized losses represent an other-than-temporary impairment. The Company did not have any credit-related losses during the nine-month periods ended September 30, 2013 or September 30, 2012.

For equity securities, the Company's investments are primarily in Standard & Poor's ("S&P") 500 companies; however, the Company's policies allow investments in companies outside of the S&P 500. The largest holdings are Exchange Traded Funds that represent the S&P 500 index or an S&P 500 sector or subset; the Company also has holdings in Exchange Traded Funds that represent emerging markets. The Company considers the evidence to support the recovery of the cost basis of a security including volatility of the stock, the length of time the security has been in a loss position, value and growth expectations, and overall market and sector fundamentals, as well as technical analysis, in determining whether unrealized losses represent an other-than-temporary impairment. In the nine-month period ended September 30, 2013, other-than-temporary impairment write-downs on investments still held by the Company were $2 million ($5 million in the nine-month period ended September 30, 2012).

The aggregate cost of the Company's cost method investments totaled $184 million at September 30, 2013 ($176 million at December 31, 2012). Due to the nature of these investments, the fair market value is not readily determinable. These investments are reviewed quarterly for impairment indicators. The Company's impairment analysis resulted in a $4 million reduction in the cost basis of these investments for the nine-month period ended September 30, 2013 ($3 million reduction in the nine-month period ended September 30, 2012).

Table of Contents

The following table summarizes the fair value of financial instruments at September 30, 2013 and December 31, 2012:

Fair Value of Financial Instruments

	At September 30, 2013				At December 31, 2012			
In millions	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities: (1)								
Debt securities:								
Government debt (2)	$532	$34	$(5)	$561	$506	$59	$—	$565
Corporate bonds	665	47	(6)	706	676	81	(1)	756
Total debt securities	$1,197	$81	$(11)	$1,267	$1,182	$140	$(1)	$1,321
Equity securities	592	153	(8)	737	634	109	(3)	740
Total marketable securities	$1,789	$234	$(19)	$2,004	$1,816	$249	$(4)	$2,061
Long-term debt incl. debt due within one year (3)	$(18,167)	$257	$(2,113)	$(20,023)	$(20,591)	$24	$(3,195)	$(23,762)
Derivatives relating to:								
Interest rates	$—	$1	$(4)	$(3)	$—	$1	$(6)	$(5)
Commodities (4)	$—	$13	$(11)	$2	$—	$26	$(7)	$19
Foreign currency	$—	$67	$(27)	$40	$—	$34	$(20)	$14

(1) Included in “Other investments” in the consolidated balance sheets.
(2) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities’ obligations.
(3) Cost includes fair value adjustments of $22 million at September 30, 2013 and $23 million at December 31, 2012.
(4) Presented net of cash collateral, as disclosed in Note 7.

Risk Management

Dow’s business operations give rise to market risk exposure due to changes in interest rates, foreign currency exchange rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate the adverse effects of financial market risk. Derivatives used for this purpose are designated as cash flow, fair value or net foreign investment hedges where appropriate. Accounting guidance requires companies to recognize all derivative instruments as either assets or liabilities at fair value. A secondary objective is to add value by creating additional nonspecific exposures within established limits and policies; derivatives used for this purpose are not designated as hedges. The potential impact of creating such additional exposures is not material to the Company’s results.

The Company’s risk management program for interest rate, foreign currency and commodity risks is based on fundamental, mathematical and technical models that take into account the implicit cost of hedging. Risks created by derivative instruments and the mark-to-market valuations of positions are strictly monitored at all times, using value at risk and stress tests. Counterparty credit risk arising from these contracts is not significant because the Company minimizes counterparty concentration, deals primarily with major financial institutions of solid credit quality, and the majority of its hedging transactions mature in less than three months. In addition, the Company minimizes concentrations of credit risk through its global orientation by transacting with large, internationally diversified financial counterparties. It is the Company’s policy to not have credit-risk-related contingent features in its derivative instruments. No significant concentration of counterparty credit risk existed at September 30, 2013. The Company does not anticipate losses from credit risk, and the net cash requirements arising from counterparty risk associated with risk management activities are not expected to be material in 2013.

The Company revises its strategies as market conditions dictate and management reviews its overall financial strategies and the impacts from using derivatives in its risk management program with the Company’s Board of Directors.

Interest Rate Risk Management

The Company enters into various interest rate contracts with the objective of lowering funding costs or altering interest rate exposures related to fixed and variable rate obligations. In these contracts, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed and floating interest amounts calculated on an agreed-upon notional principal amount. At September 30, 2013, the Company had open interest rate swaps with maturity dates that extend to 2021.

Table of Contents

Foreign Currency Risk Management

The Company's global operations require active participation in foreign exchange markets. The Company enters into foreign exchange forward contracts and options, and cross-currency swaps to hedge various currency exposures or create desired exposures. Exposures primarily relate to assets, liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The primary business objective of the activity is to optimize the U.S. dollar value of the Company's assets, liabilities and future cash flows with respect to exchange rate fluctuations. Assets and liabilities denominated in the same foreign currency are netted, and only the net exposure is hedged. At September 30, 2013, the Company had forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies. These contracts had various expiration dates, primarily in the fourth quarter of 2013.

Commodity Risk Management

The Company has exposure to the prices of commodities in its procurement of certain raw materials. The primary purpose of commodity hedging activities is to manage the price volatility associated with these forecasted inventory purchases. At September 30, 2013, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates through the fourth quarter of 2015.

Accounting for Derivative Instruments and Hedging Activities

Cash Flow Hedges

For derivatives that are designated and qualify as cash flow hedging instruments, the effective portion of the gain or loss on the derivative is recorded in "Accumulated other comprehensive income (loss)" ("AOCI"); it is reclassified to "Cost of sales" in the same period or periods that the hedged transaction affects income. The unrealized amounts in AOCI fluctuate based on changes in the fair value of open contracts at the end of each reporting period. The Company anticipates volatility in AOCI and net income from its cash flow hedges. The amount of volatility varies with the level of derivative activities and market conditions during any period. Gains and losses on the derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current period income.

The Company had open interest rate derivatives designated as cash flow hedges at September 30, 2013 with a net loss of $2 million after tax and a notional U.S. dollar equivalent of $528 million (net loss of $3 million after tax and a notional U.S. dollar equivalent of $433 million December 31, 2012).

Current open foreign currency forward contracts hedge the currency risk of forecasted feedstock purchase transactions until March 2014. The effective portion of the mark-to-market effects of the foreign currency forward contracts is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying feedstock purchase affects income. The net loss from the foreign currency hedges included in AOCI at September 30, 2013 was $8 million after tax (net loss of $14 million after tax at December 31, 2012). At September 30, 2013, the Company had open forward contracts with various expiration dates to buy, sell or exchange foreign currencies with a notional U.S. dollar equivalent of $536 million ($366 million at December 31, 2012).

Commodity swaps, futures and option contracts with maturities of not more than 36 months are utilized and designated as cash flow hedges of forecasted commodity purchases. Current open contracts hedge forecasted transactions until December 2014. The effective portion of the mark-to-market effect of the cash flow hedge instrument is recorded in AOCI; it is reclassified to income in the same period or periods that the underlying commodity purchase affects income. The net gain from commodity hedges included in AOCI at September 30, 2013 was $8 million after tax (net gain of $24 million after tax at December 31, 2012). At September 30, 2013 and December 31, 2012, the Company had the following gross aggregate notionals of outstanding commodity forward and futures contracts to hedge forecasted purchases:

Commodity	Sep 30, 2013	Dec 31, 2012	Notional Volume Unit
Corn	4.9	1.9	million bushels
Crude Oil	1.5	0.4	million barrels
Ethane	1.8	1.8	million barrels

Naphtha	2.0	90.0	kilotons
Natural Gas	113.2	186.0	million million British thermal units
Soybeans	1.6	1.3	million bushels

The net after-tax amounts to be reclassified from AOCI to income within the next 12 months are a $3 million loss for interest rate contracts, a $10 million gain for commodity contracts and an $8 million loss for foreign currency contracts.

Table of Contents

Fair Value Hedges

For derivative instruments that are designated and qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current period income and reflected as “Interest expense and amortization of debt discount” in the consolidated statements of income. The short-cut method is used when the criteria are met. The Company had no open interest rate swaps designated as fair value hedges of underlying fixed rate debt obligations at September 30, 2013 or December 31, 2012.

Net Foreign Investment Hedges

For derivative instruments that are designated and qualify as net foreign investment hedges, the effective portion of the gain or loss on the derivative is included in “Cumulative Translation Adjustments” in AOCI. At September 30, 2013 and December 31, 2012, the Company had no open forward contracts or outstanding options to buy, sell or exchange foreign currencies designated as net foreign investment hedges. At September 30, 2013, the Company had outstanding foreign-currency denominated debt designated as a hedge of net foreign investment of $204 million ($233 million at December 31, 2012). The result of hedges of the Company’s net investment in foreign operations included in “Cumulative Translation Adjustments” in AOCI was a net gain of $18 million after tax at September 30, 2013 (net gain of $22 million after tax at December 31, 2012). See Note 16 for further detail on changes in AOCI.

Other Derivative Instruments

The Company utilizes futures, options and swap instruments that are effective as economic hedges of commodity price exposures, but do not meet the hedge accounting criteria for derivatives and hedging. At September 30, 2013 and December 31, 2012, the Company had the following gross aggregate notionals of outstanding commodity contracts:

Commodity	Sep 30, 2013	Dec 31, 2012	Notional Volume Unit
Ethane	0.4	1.0	million barrels
Naphtha	69.0	—	kilotons
Natural Gas	9.2	33.0	million million British thermal units
Propane	45.0	—	kilotons

The Company also uses foreign exchange forward contracts, options and cross-currency swaps that are not designated as hedging instruments primarily to manage foreign currency exposure. The Company had open foreign exchange contracts with various expiration dates to buy, sell or exchange foreign currencies with a gross notional U.S. dollar equivalent of $15,305 million at September 30, 2013 ($17,637 million at December 31, 2012) and had no open interest rate swaps at September 30, 2013 ($472 million at December 31, 2012).

Table of Contents

The following table provides the fair value and gross balance sheet classification of derivative instruments at September 30, 2013 and December 31, 2012:

Fair Value of Derivative Instruments In millions	Balance Sheet Classification	Sep 30, 2013	Dec 31, 2012
Asset Derivatives			
Derivatives designated as hedges:			
Interest rates	Other current assets	$1	$1
Commodities	Other current assets	16	28
Foreign currency	Accounts and notes receivable – Other	4	3
Total derivatives designated as hedges		$21	$32
Derivatives not designated as hedges:			
Commodities	Other current assets	$1	$3
Foreign currency	Accounts and notes receivable – Other	96	52
Total derivatives not designated as hedges		$97	$55
Total asset derivatives		$118	$87
Liability Derivatives			
Derivatives designated as hedges:			
Interest rates	Accounts payable – Other	$4	$5
Commodities	Accounts payable – Other	19	21
Foreign currency	Accounts payable – Other	12	14
Total derivatives designated as hedges		$35	$40
Derivatives not designated as hedges:			
Interest rates	Accounts payable – Other	$—	$1
Commodities	Accounts payable – Other	2	6
Foreign currency	Accounts payable – Other	48	27
Total derivatives not designated as hedges		$50	$34
Total liability derivatives		$85	$74

Table of Contents

NOTE 7 – FAIR VALUE MEASUREMENTS

Fair Value Measurements on a Recurring Basis

The following tables summarize the bases used to measure certain assets and liabilities at fair value on a recurring basis:

Basis of Fair Value Measurements on a Recurring Basis at September 30, 2013 In millions	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
Assets at fair value:					
Cash equivalents (2)	$—	$2,088	$—	$—	$2,088
Interests in trade accounts receivable conduits (3)	—	—	1,363	—	1,363
Equity securities (4)	702	35	—	—	737
Debt securities: (4)					
Government debt (5)	—	561	—	—	561
Corporate bonds	—	706	—	—	706
Derivatives relating to: (6)					
Interest rates	—	1	—	—	1
Commodities	5	12	—	(4)	13
Foreign currency	—	100	—	(33)	67
Total assets at fair value	$707	$3,503	$1,363	$(37)	$5,536
Liabilities at fair value:					
Long-term debt (7)	$—	$20,023	$—	$—	$20,023
Derivatives relating to: (6)					
Interest rates	—	4	—	—	4
Commodities	9	12	—	(10)	11
Foreign currency	—	60	—	(33)	27
Total liabilities at fair value	$9	$20,099	$—	$(43)	$20,065

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in "Cash and cash equivalents" in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in “Accounts and notes receivable – Other” in the consolidated balance sheets. See Note 9 for additional information on transfers of financial assets.

(4) The Company’s investments in equity and debt securities are primarily classified as available-for-sale and are included in “Other investments” in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities’ obligations.

(6) See Note 6 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 6 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Table of Contents

Basis of Fair Value Measurements on a Recurring Basis at December 31, 2012 In millions	Quoted Prices in Active Markets for Identical Items (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Counterparty and Cash Collateral Netting (1)	Total
Assets at fair value:					
Cash equivalents (2)	$—	$1,953	$—	$—	$1,953
Interests in trade accounts receivable conduits (3)	—	—	1,057	—	1,057
Equity securities (4)	702	38	—	—	740
Debt securities: (4)					
Government debt (5)	—	565	—	—	565
Corporate bonds	—	756	—	—	756
Derivatives relating to: (6)					
Interest rates	—	1	—	—	1
Commodities	9	22	—	(5)	26
Foreign currency	—	55	—	(21)	34
Total assets at fair value	$711	$3,390	$1,057	$(26)	$5,132
Liabilities at fair value:					
Long-term debt (7)	$—	$23,762	$—	$—	$23,762
Derivatives relating to: (6)					
Interest rates	—	6	—	—	6
Commodities	16	11	—	(20)	7
Foreign currency	—	41	—	(21)	20
Total liabilities at fair value	$16	$23,820	$—	$(41)	$23,795

(1) Cash collateral amounts represent the estimated net settlement amount when applying netting and set-off rights included in master netting arrangements between the Company and its counterparties and the payable or receivable for cash collateral held or placed with the same counterparty.

(2) Primarily Treasury Bills included in "Cash and cash equivalents" in the consolidated balance sheets and held at amortized cost, which approximates fair value.

(3) Included in “Accounts and notes receivable – Other” in the consolidated balance sheets. See Note 9 for additional information on transfers of financial assets.

(4) The Company’s investments in equity and debt securities are primarily classified as available-for-sale and are included in “Other investments” in the consolidated balance sheets.

(5) U.S. Treasury obligations, U.S. agency obligations, agency mortgage-backed securities and other municipalities’ obligations.

(6) See Note 6 for the classification of derivatives in the consolidated balance sheets.

(7) See Note 6 for information on fair value adjustments to long-term debt, included at cost in the consolidated balance sheets.

Assets and liabilities related to forward contracts, interest rate swaps, currency swaps, options and other conditional or exchange contracts executed with the same counterparty under a master netting arrangement are netted. Collateral accounts are netted with corresponding liabilities. The Company posted cash collateral of $28 million at September 30, 2013 ($20 million at December 31, 2012).

For assets and liabilities classified as Level 1 measurements (measured using quoted prices in active markets), total fair value is either the price of the most recent trade at the time of the market close or the official close price, as defined by the exchange in which the asset is most actively traded on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs.

For assets and liabilities classified as Level 2 measurements, where the security is frequently traded in less active markets, fair value is based on the closing price at the end of the period; where the security is less frequently traded,

fair value is based on the price a dealer would pay for the security or similar securities, adjusted for any terms specific to that asset or liability, or by using observable market data points of similar, more liquid securities to imply the price. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

For derivative assets and liabilities, standard industry models are used to calculate the fair value of the various financial instruments based on significant observable market inputs, such as foreign exchange rates, commodity prices, swap rates, interest rates and implied volatilities obtained from various market sources. Market inputs are obtained from well-established and recognized vendors of market data and subjected to tolerance/quality checks.

Table of Contents

For all other assets and liabilities for which observable inputs are used, fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models. See Note 6 for further information on the types of instruments used by the Company for risk management.

During the nine-month period ended September 30, 2013, the Company transferred from Level 1 to Level 2 certain over-the-counter equity securities valued at $4 million, as these securities trade in less active markets. There were no transfers between Levels 1 and 2 in the year ended December 31, 2012.

For assets classified as Level 3 measurements, the fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity. The fair value of the Company's interests held in trade receivable conduits is determined by calculating the expected amount of cash to be received using the key input of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rate and prepayments are not factors in determining the fair value of the interests. See Note 9 for further information on assets classified as Level 3 measurements.

The following table summarizes the changes in fair value measurements using Level 3 inputs for the three- and nine-month periods ended September 30, 2013 and 2012:

Fair Value Measurements Using Level 3 Inputs	Three Months Ended		Nine Months Ended	
Interests Held in Trade Receivable Conduits (1)	Sep 30,	Sep 30,	Sep 30,	Sep 30,
In millions	2013	2012	2013	2012
Balance at beginning of period	$1,291	$1,220	$1,057	$1,141
Loss included in earnings (2)	(1)	(2)	(3)	(4)
Purchases	325	343	997	2,396
Settlements	(252)	(218)	(688)	(2,190)
Balance at September 30	$1,363	$1,343	$1,363	$1,343

(1) Included in "Accounts and notes receivable – Other" in the consolidated balance sheets.

(2) Included in "Selling, general and administrative expenses" in the consolidated statements of income.

Fair Value Measurements on a Nonrecurring Basis

The following table summarizes the bases used to measure certain assets and liabilities at fair value on a nonrecurring basis in the consolidated balance sheets at September 30, 2012:

Basis of Fair Value Measurements on a Nonrecurring Basis at September 30, 2012	Significant Other Unobservable Inputs	Total Losses
In millions	(Level 3)	2012
Assets at fair value:		
Long-lived assets and other assets	$10	$(123)

As part of the 1Q12 Restructuring plan that was approved on March 27, 2012, the Company shut down a number of manufacturing facilities during 2012. The manufacturing assets and facilities associated with this plan were written down to zero in the first quarter of 2012 and a $94 million impairment charge was included in "Restructuring charges" in the consolidated statements of income. In addition, a $29 million asset impairment charge was recognized in the Performance Materials segment in the third quarter of 2012. The assets, classified as Level 3 measurements, are valued using unobservable inputs, including assumptions a market participant would use to measure the fair value of the group of assets. See Note 3 for additional information on the Company's restructuring activities.

NOTE 8 – COMMITMENTS AND CONTINGENT LIABILITIES

Dow Corning Credit Facility

The Company is a 50 percent shareholder in Dow Corning Corporation ("Dow Corning"). On June 1, 2004, the Company agreed to provide a credit facility to Dow Corning as part of Dow Corning's Joint Plan of Reorganization. The aggregate amount of the facility was originally $300 million; it was reduced to $50 million effective June 1, 2013, of which the Company's share is $25 million. At September 30, 2013, no draws had been taken against the credit facility.

Table of Contents

Environmental Matters

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated, based on current law and existing technologies. At September 30, 2013, the Company had accrued obligations of $748 million for probable environmental remediation and restoration costs, including $76 million for the remediation of Superfund sites. This is management's best estimate of the costs for remediation and restoration with respect to environmental matters for which the Company has accrued liabilities, although it is reasonably possible that the ultimate cost with respect to these particular matters could range up to approximately two and a half times that amount. Consequently, it is reasonably possible that environmental remediation and restoration costs in excess of amounts accrued could have a material impact on the Company's results of operations, financial condition and cash flows. It is the opinion of the Company's management, however, that the possibility is remote that costs in excess of the range disclosed will have a material impact on the Company's results of operations, financial condition and cash flows. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and emerging remediation technologies for handling site remediation and restoration. At December 31, 2012, the Company had accrued obligations of $754 million for probable environmental remediation and restoration costs, including $69 million for the remediation of Superfund sites.

Midland Off-Site Environmental Matters

On June 12, 2003, the Michigan Department of Environmental Quality ("MDEQ") issued a Hazardous Waste Operating License (the "License") to the Company's Midland, Michigan manufacturing site (the "Midland site"), which included provisions requiring the Company to conduct an investigation to determine the nature and extent of off-site contamination in the City of Midland soils, the Tittabawassee River and Saginaw River sediment and floodplain soils, and the Saginaw Bay, and, if necessary, undertake remedial action.

City of Midland

The MDEQ, as a result of ongoing discussions with the Company regarding the implementation of the requirements of the License, announced on February 16, 2012, a proposed plan to resolve the issue of dioxin contamination in residential soils in Midland. As part of the proposed plan, the Company will sample soil at residential properties near the Midland site for the presence of dioxins to determine where clean-up may be required. On March 6, 2012, the Company submitted an Interim Response Activity Plan Designed to Meet Criteria ("Work Plan") to the MDEQ. On May 25, 2012, the Company submitted a revision to the Work Plan to the MDEQ to address agency and public comments. The MDEQ approved the Work Plan on June 1, 2012. Implementation of the Work Plan began on June 4, 2012. The Company submitted amendments to the Work Plan to increase the number of properties to be sampled in 2012. The amendments were approved by the MDEQ on July 23, 2012 and September 13, 2012. On February 15, 2013, the Company submitted a plan for properties to be sampled during 2013 ("2013 Plan"), as required by the approved Work Plan. Approval of the 2013 Plan was granted in May 2013. During the third quarter of 2013, the Company submitted amendments to the 2013 Plan to increase the number of properties to be sampled in 2013. Approval of the amendments to the 2013 Plan was granted on October 14, 2013 and additional sampling of properties is in progress. As of September 30, 2013, 86 of the 98 properties identified through sampling as being above the remediation criteria have been remediated.

Tittabawassee and Saginaw Rivers, Saginaw Bay

The Company, the U.S. Environmental Protection Agency ("EPA") and the State of Michigan ("State") entered into an administrative order on consent ("AOC"), effective January 21, 2010, that requires the Company to conduct a remedial investigation, a feasibility study and a remedial design for the Tittabawassee River, the Saginaw River and the Saginaw Bay, and pay the oversight costs of the EPA and the State under the authority of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"). These actions, to be conducted under the lead oversight of the EPA, will build upon the investigative work completed under the State Resource Conservation Recovery Act ("RCRA") program from 2005 through 2009. The Tittabawassee River, beginning at the Midland site

and extending down to the first six miles of the Saginaw River, are designated as the first Operable Unit for purposes of conducting the remedial investigation, feasibility study and remedial design work. This work will be performed in a largely upriver to downriver sequence for eight geographic segments of the Tittabawassee and upper Saginaw Rivers. In the first quarter of 2012, the EPA requested the Company address the Tittabawassee River floodplain as an additional segment. The remainder of the Saginaw River and the Saginaw Bay are designated as a second Operable Unit and the work associated with that unit may also be geographically segmented. The AOC does not obligate the Company to perform removal or remedial action; that action can only be required by a separate order. The Company and the EPA will be negotiating orders separate from the AOC that will obligate the Company to perform remedial actions under the scope of work of the AOC. The Company and the EPA have entered into two separate orders to perform limited remedial actions to implement early actions. In addition, the Company and the EPA have entered into the first order to address remedial actions in the first of the nine geographic segments in the first Operable Unit. The Company and the EPA are engaged in negotiations over an order for the second geographic segment of the first Operable Unit, which will address the river banks and sediments.

Table of Contents

Alternative Dispute Resolution Process

The Company, the EPA, the U.S. Department of Justice, and the natural resource damage trustees (which include the Michigan Office of the Attorney General, the MDEQ, the U.S. Fish and Wildlife Service, the U.S. Bureau of Indian Affairs and the Saginaw-Chippewa tribe) have been engaged in negotiations to seek to resolve potential governmental claims against the Company related to historical off-site contamination associated with the City of Midland, the Tittabawassee and Saginaw Rivers and the Saginaw Bay. The Company and the governmental parties started meeting in the fall of 2005 and entered into a Confidentiality Agreement in December 2005. The Company continues to conduct negotiations under the Federal Alternative Dispute Resolution Act with all of the governmental parties, except the EPA which withdrew from the alternative dispute resolution process on September 12, 2007.

On September 28, 2007, the Company and the natural resource damage trustees entered into a Funding and Participation Agreement that addressed the Company's payment of past costs incurred by the natural resource damage trustees, payment of the costs of a trustee coordinator and a process to review additional cooperative studies that the Company might agree to fund or conduct with the natural resource damage trustees. On March 18, 2008, the Company and the natural resource damage trustees entered into a Memorandum of Understanding to provide a mechanism for the Company to fund cooperative studies related to the assessment of natural resource damages. This Memorandum of Understanding has been amended and extended until March 2014. On April 7, 2008, the natural resource damage trustees released their "Natural Resource Damage Assessment Plan for the Tittabawassee River System Assessment Area."

At September 30, 2013, the accrual for these off-site matters was $51 million (included in the total accrued obligation of $748 million at September 30, 2013). At December 31, 2012, the Company had an accrual for these off-site matters of $42 million (included in the total accrued obligation of $754 million at December 31, 2012).

Litigation

DBCP Matters

Numerous lawsuits have been brought against the Company and other chemical companies, both inside and outside of the United States, alleging that the manufacture, distribution or use of pesticides containing dibromochloropropane ("DBCP") has caused personal injury and property damage, including contamination of groundwater. It is the opinion of the Company's management that the possibility is remote that the resolution of such lawsuits will have a material impact on the Company's consolidated financial statements.

Asbestos-Related Matters of Union Carbide Corporation

Introduction

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide's premises, and Union Carbide's responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide's products.

Union Carbide expects more asbestos-related suits to be filed against Union Carbide and Amchem in the future, and will aggressively defend or reasonably resolve, as appropriate, both pending and future claims.

Estimating the Liability

Based on a study completed by Analysis, Research & Planning Corporation ("ARPC") in January 2003, Union Carbide increased its December 31, 2002 asbestos-related liability for pending and future claims for the 15-year period ending

in 2017 to $2.2 billion, excluding future defense and processing costs. Since then, Union Carbide has compared current asbestos claim and resolution activity to the results of the most recent ARPC study at each balance sheet date to determine whether the accrual continues to be appropriate. In addition, Union Carbide has requested ARPC to review Union Carbide’s historical asbestos claim and resolution activity each year since 2004 to determine the appropriateness of updating the most recent ARPC study.

In November 2011, Union Carbide requested ARPC to review Union Carbide's 2011 asbestos claim and resolution activity and determine the appropriateness of updating its then most recent study completed in December 2010. In response to that request, ARPC reviewed and analyzed data through October 31, 2011. In January 2012, ARPC stated that an update of its study would not provide a more likely estimate of future events than the estimate reflected in its December 2010 study and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity

Table of Contents

and ARPC's response, Union Carbide determined that no change to the accrual was required. At December 31, 2011, the asbestos-related liability for pending and future claims was $668 million.

In October 2012, Union Carbide requested ARPC to review its historical asbestos claim and resolution activity and determine the appropriateness of updating its December 2010 study. In response to that request, ARPC reviewed and analyzed data through September 30, 2012. In December 2012, based upon ARPC's December 2012 study and Union Carbide's own review of the asbestos claim and resolution activity for 2012, it was determined that no adjustment to the accrual was required at December 31, 2012. Union Carbide's asbestos-related liability for pending and future claims was $602 million at December 31, 2012. At December 31, 2012, approximately 18 percent of the recorded liability related to pending claims and approximately 82 percent related to future claims.

Based on Union Carbide’s review of 2013 activity, Union Carbide determined that no adjustment to the accrual was required at September 30, 2013. Union Carbide’s asbestos-related liability for pending and future claims was $555 million at September 30, 2013. Approximately 19 percent of the recorded liability related to pending claims and approximately 81 percent related to future claims.

Insurance Receivables

At December 31, 2002, Union Carbide increased the receivable for insurance recoveries related to its asbestos liability to $1.35 billion, substantially exhausting its asbestos product liability coverage. The insurance receivable related to the asbestos liability was determined by Union Carbide after a thorough review of applicable insurance policies and the 1985 Wellington Agreement, to which Union Carbide and many of its liability insurers are signatory parties, as well as other insurance settlements, with due consideration given to applicable deductibles, retentions and policy limits, and taking into account the solvency and historical payment experience of various insurance carriers. The Wellington Agreement and other agreements with insurers are designed to facilitate an orderly resolution and collection of Union Carbide’s insurance policies and to resolve issues that the insurance carriers may raise.

In September 2003, Union Carbide filed a comprehensive insurance coverage case, now proceeding in the Supreme Court of the State of New York, County of New York, seeking to confirm its rights to insurance for various asbestos claims and to facilitate an orderly and timely collection of insurance proceeds (the “Insurance Litigation”). The Insurance Litigation was filed against insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place with Union Carbide regarding their asbestos-related insurance coverage, in order to facilitate an orderly resolution and collection of such insurance policies and to resolve issues that the insurance carriers may raise. Since the filing of the case, Union Carbide has reached settlements with most of the carriers involved in the Insurance Litigation and continues to pursue settlements with outstanding carriers.

Union Carbide’s receivable for insurance recoveries related to its asbestos liability was $25 million at September 30, 2013 and $25 million at December 31, 2012. At September 30, 2013 and December 31, 2012, all of the receivable for insurance recoveries was related to insurers that are not signatories to the Wellington Agreement and/or do not otherwise have agreements in place regarding their asbestos-related insurance coverage.

In addition to the receivable for insurance recoveries related to its asbestos liability, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers that have settlement agreements in place regarding their asbestos-related insurance coverage. The following table summarizes Union Carbide’s receivables related to its asbestos-related liability:

Receivables for Asbestos-Related Costs In millions	Sep 30, 2013	Dec 31, 2012
Receivables for defense costs – carriers with settlement agreements	$16	$17
Receivables for resolution costs – carriers with settlement agreements	124	137

Receivables for insurance recoveries – carriers without settlement agreements	25	25
Total	$165	$179

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was $26 million in the third quarter of 2013 ($25 million in the third quarter of 2012) and $77 million in the first nine months of 2013 ($73 million in the first nine months of 2012) and was included in "Cost of sales" in the consolidated statements of income.

After a review of its insurance policies, with due consideration given to applicable deductibles, retentions and policy limits, after taking into account the solvency and historical payment experience of various insurance carriers; existing insurance

Table of Contents

settlements; and the advice of outside counsel with respect to the applicable insurance coverage law relating to the terms and conditions of its insurance policies, Union Carbide continues to believe that its recorded receivable for insurance recoveries from all insurance carriers is probable of collection.

Summary

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable described above were based upon current, known facts. However, future events, such as the number of new claims to be filed and/or received each year, the average cost of disposing of each such claim, coverage issues among insurers, and the continuing solvency of various insurance companies, as well as the numerous uncertainties surrounding asbestos litigation in the United States, could cause the actual costs and insurance recoveries for Union Carbide to be higher or lower than those projected or those recorded.

Because of the uncertainties described above, Union Carbide's management cannot estimate the full range of the cost of resolving pending and future asbestos-related claims facing Union Carbide and Amchem. Union Carbide's management believes that it is reasonably possible that the cost of disposing of Union Carbide's asbestos-related claims, including future defense costs, could have a material impact on Union Carbide's results of operations and cash flows for a particular period and on the consolidated financial position of Union Carbide.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

Synthetic Rubber Industry Matters

In 2003, the U.S., Canadian and European competition authorities initiated separate investigations into alleged anticompetitive behavior by certain participants in the synthetic rubber industry. Certain subsidiaries of the Company (but as to the investigation in Europe only) responded to requests for documents and otherwise cooperated in the investigations.

On June 10, 2005, the Company received a Statement of Objections from the European Commission (the "EC") stating that it believed that the Company and certain subsidiaries of the Company (the "Dow Entities"), together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws with respect to the butadiene rubber and emulsion styrene butadiene rubber businesses. In connection therewith, on November 29, 2006, the EC issued its decision alleging infringement of Article 81 of the Treaty of Rome and imposed a fine of Euro 64.575 million (approximately $85 million at that time) on the Dow Entities; several other companies were also named and fined. As a result, the Company recognized a loss contingency of $85 million related to the fine in the fourth quarter of 2006. The Company appealed the EC's decision and a hearing was held before the Court of First Instance on October 13, 2009. On July 13, 2011, the General Court issued a decision that partly affirmed the EC's decision with regard to the amount of the fine and the liability of the parent company, but rejected the EC's decision regarding the length of the conspiracy and determined that it was of a shorter duration. The Dow Entities filed an appeal of this decision to the Court of Justice of the European Union. This appeal was denied on July 18, 2013. The Dow Entities paid the fine, including accrued interest, on August 12, 2013. This proceeding is now considered resolved. Subsequent to the imposition of the fine in 2006, the Company and/or certain subsidiaries of the Company became named parties in various related U.S., United Kingdom and Italian civil actions. The U.S. matter was settled in March 2010 through a confidential settlement agreement, with an immaterial impact on the Company's consolidated financial statements. The United Kingdom and Italian civil actions are still pending.

Additionally, on March 10, 2007, the Company received a Statement of Objections from the EC stating that it believed that DuPont Dow Elastomers L.L.C. ("DDE"), a former 50:50 joint venture with E.I. du Pont de Nemours and Company ("DuPont"), together with other participants in the synthetic rubber industry, engaged in conduct in violation

of European competition laws with respect to the polychloroprene business. This Statement of Objections specifically names the Company, in its capacity as a former joint venture owner of DDE. On December 5, 2007, the EC announced its decision to impose a fine on the Company, among others, in the amount of Euro 48.675 million (approximately $66 million). The Company previously transferred its joint venture ownership interest in DDE to DuPont in 2005, and DDE then changed its name to DuPont Performance Elastomers L.L.C. (“DPE”). In February 2008, DuPont, DPE and the Company each filed an appeal of the December 5, 2007 decision of the EC. On February 2, 2012, the European General Court denied the appeals of the December 5, 2007 decision. The Company appealed this decision to the Court of Justice of the European Union. This appeal was denied on September 26, 2013. Based on the Company’s 2004 Allocation Agreement with DuPont, the Company’s share of this fine (which DuPont previously caused to be paid) did not have a material impact on the Company’s consolidated financial statements and there was no financial impact to Dow as a result of this final ruling. This matter is now considered resolved.

Table of Contents

Urethane Matters

On February 16, 2006, the Company, among others, received a subpoena from the U.S. Department of Justice ("DOJ") as part of a previously announced antitrust investigation of manufacturers of polyurethane chemicals, including methylene diphenyl diisocyanate, toluene diisocyanate, polyether polyols and system house products. The Company cooperated with the DOJ and, following an extensive investigation, on December 10, 2007, the Company received notice from the DOJ that it had closed its investigation of potential antitrust violations involving these products without indictments or pleas.

In 2005, the Company, among others, was named as a defendant in multiple civil class action lawsuits alleging a conspiracy to fix the price of various urethane chemical products, namely the products that were the subject of the above described DOJ antitrust investigation. These lawsuits were consolidated in the U.S. District Court for the District of Kansas (the “District Court”) or have been tolled. On July 29, 2008, the District Court certified a class of purchasers of the products for the six-year period from 1999 through 2004. Shortly thereafter, a series of “opt-out” cases were filed by a number of large volume purchasers; these cases are substantively identical to the class action lawsuit, but expanded the time period to include 1994 through 1998. In January 2013, the class action lawsuit went to trial in the District Court with the Company as the sole remaining defendant, the other defendants having previously settled. On February 20, 2013, the jury in the matter returned a damages verdict of approximately $400 million against the Company, which would be trebled under applicable antitrust laws - less offsets from other settling defendants - if the verdict is not vacated or otherwise set aside by the District Court. The Company filed post-trial motions on March 5, 2013, requesting the District Court grant judgment in favor of the Company, grant the Company a new trial and/or decertify the class.

On May 15, 2013, the District Court denied the Company's request to overturn the verdict and, under antitrust laws, tripled the damages verdict resulting in a $1.2 billion judgment. On July 26, 2013, the District Court entered an amended judgment in the amount of $1.06 billion. The Company is appealing this amended judgment.

In addition to the matters described above, there are two separate but inter-related matters in Ontario and Quebec, Canada, both of which are pending a decision on class certification.

The Company has concluded it is not probable that a loss will occur and, therefore, a liability has not been recorded with respect to these matters.

Other Litigation Matters

In addition to the specific matters described above, the Company is party to a number of other claims and lawsuits arising out of the normal course of business with respect to commercial matters, including product liability, governmental regulation and other actions. Certain of these actions purport to be class actions and seek damages in very large amounts. All such claims are being contested. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers at various times. These policies often provide coverage that will be utilized to minimize the financial impact, if any, of the contingencies described above.

Summary

Except for the possible effect of Union Carbide’s Asbestos-Related Matters and the Urethane Matters described above, it is the opinion of the Company’s management that the possibility is remote that the aggregate of all claims and lawsuits will have a material adverse impact on the results of operations, financial condition and cash flows of the Company.

Purchase Commitments

The Company has numerous agreements for the purchase of ethylene-related products globally. The purchase prices are determined primarily on a cost-plus basis. Total purchases under these agreements were $304 million in 2012,

$552 million in 2011 and $714 million in 2010. The Company's take-or-pay commitments associated with these agreements at December 31, 2012 are included in the table below. There have been no material changes to purchase commitments since December 31, 2012.

Table of Contents

The Company also has various commitments for take-or-pay and throughput agreements. These commitments are at prices not in excess of current market prices. The remaining terms for all but one of these agreements extend from one to 32 years. One agreement has a remaining term of 64 years. The determinable future commitments for this specific agreement for a period of 10 years are included in the following table along with the fixed and determinable portion of all other obligations under the Company's purchase commitments at December 31, 2012:

Fixed and Determinable Portion of Take-or-Pay and Throughput Obligations at December 31, 2012 In millions	
2013	$2,570
2014	2,607
2015	2,141
2016	1,904
2017	1,712
2018 and beyond	8,106
Total	$19,040

In addition to the take-or-pay obligations at December 31, 2012, the Company had outstanding commitments which ranged from one to six years for materials, services and other items used in the normal course of business of approximately $201 million. Such commitments were at prices not in excess of current market prices.

Guarantees

The Company provides a variety of guarantees as described more fully in the following sections.

Guarantees

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others (via delivery of cash or other assets) if specified triggering events occur. With guarantees, such as commercial or financial contracts, non-performance by the guaranteed party triggers the obligation of the Company to make payments to the beneficiary of the guarantee. The majority of the Company's guarantees relate to debt of nonconsolidated affiliates, which have expiration dates ranging from less than one year to eight years, and trade financing transactions in Latin America, which typically expire within one year of inception. The Company's current expectation is that future payment or performance related to the non-performance of others is considered unlikely.

Residual Value Guarantees

The Company provides guarantees related to leased assets specifying the residual value that will be available to the lessor at lease termination through sale of the assets to the lessee or third parties.

The following tables provide a summary of the final expiration, maximum future payments and recorded liability reflected in the consolidated balance sheets for each type of guarantee:

Guarantees at September 30, 2013 In millions	Final Expiration	Maximum Future Payments	Recorded Liability
Guarantees	2021	$4,845	$96
Residual value guarantees	2021	685	28
Total guarantees		$5,530	$124

Guarantees at December 31, 2012 In millions	Final Expiration	Maximum Future Payments (1)	Recorded Liability

Guarantees	2021	$1,544	$48
Residual value guarantees (2)	2021	637	31
Total guarantees		$2,181	$79

(1) The Company was indemnified by a third party for $49 million if required to perform under a $98 million guarantee.

(2) Does not include the residual value guarantee related to the Company's variable interest in an owner trust; see Note 11.

Table of Contents

During the first six months of 2013, the Company entered into guarantee agreements (“Guarantees”) related to project financing for Sadara Chemical Company (“Sadara”), a nonconsolidated affiliate. On April 2, 2013, Sadara issued an Islamic bond (“Sukuk”) in the amount of SAR 7.5 billion (approximately $2 billion). On June 16, 2013, Sadara entered into definitive agreements with certain export credit agencies, commercial banks and the Public Investment Fund of the Kingdom of Saudi Arabia for approximately $10.5 billion of project financing (“Additional Project Financing”). The Additional Project Financing closed on June 28, 2013. The total of the Sukuk and Additional Project Financing (collectively "Total Project Financing") obtained by Sadara is approximately $12.5 billion. At September 30, 2013, Sadara had $4.7 billion of Total Project Financing outstanding. The Company's guarantee of the Sukuk and the Additional Project Financing is in proportion to the Company's 35 percent ownership interest in Sadara, or up to approximately $4.4 billion when the project financing is fully drawn. The Guarantees will be released upon completion of construction of the Sadara complex and satisfactory fulfillment of certain other conditions, including passage of an extensive operational testing program, which is currently anticipated for the end of 2017.

Asset Retirement Obligations

The Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States, Canada, Brazil, China, Argentina and Europe; and capping activities at landfill sites in the United States, Canada, Brazil and Europe. The Company has also recognized conditional asset retirement obligations related to asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada, Brazil, China, Argentina and Europe.

The aggregate carrying amount of asset retirement obligations recognized by the Company was $86 million at September 30, 2013 and $92 million at December 31, 2012. The discount rate used to calculate the Company’s asset retirement obligations was 0.87 percent at September 30, 2013 and 0.87 percent at December 31, 2012. These obligations are included in the consolidated balance sheets as "Accrued and other current liabilities" and "Other noncurrent obligations."

The Company has not recognized conditional asset retirement obligations for which a fair value cannot be reasonably estimated in its consolidated financial statements. It is the opinion of the Company’s management that the possibility is remote that such conditional asset retirement obligations, when estimable, will have a material impact on the Company’s consolidated financial statements based on current costs.

K-Dow Arbitration

In February 2009, the Company initiated arbitration proceedings against Petrochemical Industries Company (K.S.C.) ("PIC") alleging that PIC breached the Joint Venture Formation Agreement related to the establishment of K-Dow, a proposed 50:50 global petrochemicals joint venture with PIC, by failing to close the transaction. In May 2012, the International Court of Arbitration of the International Chamber of Commerce ("ICC") awarded the Company $2.161 billion in damages ("Partial Award"), not including pre- and post-award interest and arbitration costs. On March 4, 2013, the ICC released the Final Award in the arbitration case covering the Company's claim for pre- and post-award interest and arbitration costs and awarded the Company $318 million, as of February 28, 2013. On May 6, 2013, the Company and PIC entered into a Deed providing for payment of the Company's claims against PIC under the K-Dow arbitration. On May 7, 2013, the Company confirmed the receipt of a $2.195 billion cash payment from PIC, which included the Partial Award of $2.161 billion as well as recovery of Dow's costs incurred in the arbitration, including legal fees. In addition, Kuwait Petroleum Corporation provided assurances that no retaliatory or punitive actions would be taken against the Company and its affiliates as a result of the Deed and payment. In the second quarter of 2013, the Company recorded a pretax gain of $2.195 billion, of which $2.161 billion is included in "Sundry income (expense) - net" and $34 million is included in "Cost of sales" in the consolidated statements of income and reflected in Corporate. The K-Dow arbitration is considered final and settled in full.

NOTE 9 – TRANSFERS OF FINANCIAL ASSETS

Sale of Trade Accounts Receivable in North America and Europe

The Company sells trade accounts receivable of select North America entities and qualifying trade accounts receivable of select European entities on a revolving basis to certain multi-seller commercial paper conduit entities ("conduits"). The Company maintains servicing responsibilities and the related costs are insignificant. The proceeds received are comprised of cash and interests in specified assets of the conduits (the receivables sold by the Company) that entitle the Company to the residual cash flows of such specified assets in the conduits after the commercial paper has been repaid. Neither the conduits nor the investors in those entities have recourse to other assets of the Company in the event of nonpayment by the debtors.

Table of Contents

During the three months ended September 30, 2013, the Company recognized a loss of $4 million on the sale of these receivables ($5 million during the three months ended September 30, 2012), which is included in “Interest expense and amortization of debt discount” in the consolidated statements of income. During the nine months ended September 30, 2013, the Company recognized a loss of $13 million on the sale of receivables ($14 million during the nine months ended September 30, 2012).

The Company's interests in the conduits are carried at fair value and included in “Accounts and notes receivable – Other” in the consolidated balance sheets. Fair value of the interests is determined by calculating the expected amount of cash to be received and is based on unobservable inputs (a Level 3 measurement). The key input in the valuation is the percentage of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Given the short-term nature of the underlying receivables, discount rates and prepayments are not factors in determining the fair value of the interests.

The following table summarizes the carrying value of interests held, which represents the Company's maximum exposure to loss related to the receivables sold, and the percentage of anticipated credit losses related to the trade accounts receivable sold. Also provided is the sensitivity of the fair value of the interests held to hypothetical adverse changes in the anticipated credit losses; amounts shown below are the corresponding hypothetical decreases in the carrying value of interests.

Interests Held In millions	Sep 30, 2013	Dec 31, 2012
Carrying value of interests held	$1,363	$1,057
Percentage of anticipated credit losses	0.76 %	0.73 %
Impact to carrying value - 10% adverse change	$1	$1
Impact to carrying value - 20% adverse change	$3	$2

Credit losses, net of any recoveries, on receivables sold during the three- and nine-month periods ended September 30, 2013 and 2012 were insignificant.

Following is an analysis of certain cash flows between the Company and the conduits:

Cash Proceeds In millions	Three Months Ended		Nine Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sale of receivables	$—	$—	$19	$57
Collections reinvested in revolving receivables	$6,489	$6,432	$19,229	$19,489
Interests in conduits (1)	$252	$218	$688	$2,190

(1) Presented in "Operating Activities" in the consolidated statements of cash flows.

Following is additional information related to the sale of receivables under these facilities:

Trade Accounts Receivable Sold In millions	Sep 30, 2013	Dec 31, 2012
Delinquencies on sold receivables still outstanding	$129	$164
Trade accounts receivable outstanding and derecognized	$2,654	$2,294

In January 2013, the Company repurchased $8 million of previously sold receivables related to a divestiture.

Sale of Trade Accounts Receivable in Asia Pacific

The Company sells participating interests in trade accounts receivable of select Asia Pacific entities. The Company maintains servicing responsibilities and the related costs are insignificant. The third-party holders of the participating

interests do not have recourse to the Company's assets in the event of nonpayment by the debtors.

During the three- and nine-month periods ended September 30, 2013 and 2012, the Company recognized insignificant losses on the sale of the participating interests in the receivables, which is included in "Interest expense and amortization of debt discount" in the consolidated statements of income. The Company receives cash upon the sale of the participating interests in the receivables.

Table of Contents

Following is an analysis of certain cash flows between the Company and the third-party holders of the participating interests:

Cash Proceeds	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sale of participating interests	$13	$16	$39	$48
Collections reinvested in revolving receivables	$13	$13	$35	$42

Following is additional information related to the sale of participating interests in the receivables under this facility:

Trade Accounts Receivable	Sep 30,	Dec 31,
In millions	2013	2012
Derecognized from the consolidated balance sheets	$9	$13
Outstanding in the consolidated balance sheets	182	283
Total accounts receivable in select Asia Pacific entities	$191	$296

There were no credit losses on receivables relating to the participating interests sold during the three- and nine-month periods ended September 30, 2013 and 2012. There were no delinquencies on the outstanding receivables related to the participating interests sold at September 30, 2013 or December 31, 2012.

NOTE 10 – NOTES PAYABLE, LONG-TERM DEBT AND AVAILABLE CREDIT FACILITIES

Notes Payable	Sep 30,	Dec 31,
In millions	2013	2012
Notes payable to banks	$353	$319
Notes payable to related companies	90	66
Notes payable trade	9	11
Total notes payable	$452	$396
Period-end average interest rates	2.82 %	3.14 %

Long-Term Debt	2013 Average Rate	Sep 30, 2013	2012 Average Rate	Dec 31, 2012
In millions				
Promissory notes and debentures:				
Final maturity 2013	9.80 %	$3	6.01 %	$404
Final maturity 2014	5.36 %	397	6.86 %	1,138
Final maturity 2015	2.95 %	53	5.82 %	1,290
Final maturity 2016	2.53 %	803	2.54 %	789
Final maturity 2017	5.82 %	902	5.88 %	890
Final maturity 2018	5.53 %	853	5.59 %	840
Final maturity 2019 and thereafter	5.95 %	12,177	5.96 %	12,148
Other facilities:				
U.S. dollar loans, various rates and maturities	1.52 %	579	2.30 %	288
Foreign currency loans, various rates and maturities	3.40 %	1,233	3.50 %	1,336
Medium-term notes, varying maturities through 2023	3.81 %	984	4.26 %	1,132
Pollution control/industrial revenue bonds, varying maturities through 2038	5.59 %	518	5.67 %	718
Capital lease obligations	—	45	—	21

Unamortized debt discount	—	(380)	—	(403)
Long-term debt due within one year	—	(680)	—	(672)
Long-term debt	—	$17,487	—	$19,919

Table of Contents

Annual Installments on Long-Term Debt For Next Five Years at September 30, 2013 In millions	
2013	$69
2014	$697
2015	$466
2016	$1,367
2017	$1,192
2018	$1,169

During the third quarter of 2013, the Company redeemed $209 million aggregate principal amount of InterNotes of various interest rates and maturities in 2017, 2018, 2020, 2021 and 2022. As a result of this redemption, the Company realized a $3 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On June 24, 2013, the Company redeemed $1.25 billion aggregate principal amount of 5.9 percent notes due February 15, 2015, at a price of 108.4 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $108 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On June 15, 2013, the Company redeemed $142 million aggregate principal amount of InterNotes of various interest rates and varying maturities in 2017, 2018, 2020, 2021 and 2022. As a result of this redemption, the Company realized a $2 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On March 25, 2013, the Company redeemed $750 million aggregate principal amount of 7.6 percent notes due May 15, 2014, at a price of 107.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $60 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first nine months of 2013, the Company redeemed $250 million of 5.6 percent notes that matured on March 15, 2013, redeemed $138 million of 6.85 percent notes that matured on August 15, 2013, and redeemed $82 million principal amount of InterNotes at maturity. In the second quarter of 2013, the Company repurchased $200 million of pollution control/industrial revenue tax-exempt bonds of which $126 million is available for re-marketing.

During the first nine months of 2013, the Company issued $286 million aggregate principal amount of InterNotes and approximately $86 million of long-term debt (net of $66 million of repayments) was entered into by consolidated variable interest entities. The Company also drew $300 million on a Committed Term Loan Facility on April 5, 2013.

On March 8, 2012, the Company redeemed $1.25 billion aggregate principal amount of 4.85 percent notes due August 15, 2012, at a price of 101.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $24 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first nine months of 2012, the Company issued $210 million aggregate principal amount of certain notes and InterNotes and $307 million of long-term debt was entered into by consolidated variable interest entities. The Company also redeemed $37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, repurchased $105 million of pollution control/industrial revenue tax-exempt bonds that are available for re-marketing and redeemed Euro 253 million ($317 million equivalent at June 30, 2012) of notes that matured on September 19,

2012.

31

Table of Contents

Available Credit Facilities
The following table summarizes the Company's credit facilities:

Committed and Available Credit Facilities at September 30, 2013

In millions	Effective Date	Committed Credit	Credit Available	Maturity Date	Interest
Five Year Competitive Advance and Revolving Credit Facility	October 2011	$5,000	$5,000	October 2016	Floating rate
Bilateral Revolving Credit Facility	October 2012	170	170	October 2016	Floating rate
Bilateral Revolving Credit Facility	March 2013	100	100	March 2014	Floating rate
Bilateral Revolving Credit Facility	March 2013	300	300	October 2016	Floating rate
Term Loan Facility	March 2013	300	—	March 2016	Floating rate
Bilateral Revolving Credit Facility	April 2013	200	200	April 2016	Floating rate
Total Committed and Available Credit Facilities		$6,070	$5,770		

On October 14, 2013, the Company entered into an additional $200 million Bilateral Revolving Credit Facility Agreement and, on October 16, 2013, the Company entered into an additional $100 million Bilateral Revolving Credit Facility Agreement (collectively, the "Credit Facilities"). The Credit Facilities have a maturity date of October 2016 and provide for interest at floating rates, as defined in the agreements.

The Company's outstanding long-term debt has been issued under indentures which contain, among other provisions, certain customary restrictive covenants with which the Company must comply while the underlying notes are outstanding. Such covenants include obligations to not allow liens on principal U.S. manufacturing facilities, enter into sale and lease-back transactions with respect to principal U.S. manufacturing facilities, or merge or consolidate with any other corporation, or sell or convey all or substantially all of the Company's assets. The outstanding debt also contains customary default provisions. Failure of the Company to comply with any of these covenants could result in a default under the applicable indenture, which would allow the note holders to accelerate the due date of the outstanding principal and accrued interest on the underlying notes.

The Company's primary, private credit agreements also contain certain customary restrictive covenant and default provisions in addition to the covenants set forth above with respect to the Company's debt. Significant other restrictive covenants and default provisions related to these agreements include:

(a) the obligation to maintain the ratio of the Company's consolidated indebtedness to consolidated capitalization at no greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the Five Year Competitive Advance and Revolving Credit Facility Agreement dated October 18, 2011 equals or exceeds $500 million,

(b) a default if the Company or an applicable subsidiary fails to make any payment, including principal, premium or interest, under the applicable agreement on other indebtedness of, or guaranteed by, the Company or such applicable subsidiary in an aggregate amount of $100 million or more when due, or any other default or other event under the applicable agreement with respect to such indebtedness occurs which permits or results in the acceleration of $400 million or more in the aggregate of principal, and

(c) a default if the Company or any applicable subsidiary fails to discharge or stay within 60 days after the entry of a final judgment against the Company or such applicable subsidiary of more than $400 million.

Failure of the Company to comply with any of the covenants or default provisions could result in a default under the applicable credit agreement which would allow the lenders to not fund future loan requests and to accelerate the due

date of the outstanding principal and accrued interest on any outstanding indebtedness.

Table of Contents

NOTE 11 – VARIABLE INTEREST ENTITIES

Consolidated Variable Interest Entities

The Company holds variable interests in eight joint ventures for which the Company is the primary beneficiary.

Three of the joint ventures own and operate manufacturing and logistics facilities, which produce chemicals and provide services in Asia Pacific. The Company’s variable interest in these joint ventures relates to arrangements between the joint ventures and the Company involving the majority of the output on take-or-pay terms with pricing ensuring a guaranteed return to the joint ventures.

A fourth joint venture will construct, own and operate a membrane chlor-alkali facility to be located at the Company’s Freeport, Texas integrated manufacturing complex. The Company’s variable interests in this joint venture relate to equity options between the partners and a cost-plus off-take arrangement between the joint venture and the Company, involving proportional purchase commitments on take-or-pay terms and ensuring a guaranteed return to the joint venture. The Company will provide the joint venture with operation and maintenance services, utilities and raw materials; market the joint venture’s co-products; and convert the other partner’s proportional purchase commitments into ethylene dichloride under a tolling arrangement. The joint venture is expected to begin operations by the end of 2013.

The fifth joint venture manufactures products in Japan for the semiconductor industry. Each joint venture partner holds several equivalent variable interests, with the exception of a royalty agreement held exclusively between the joint venture and the Company. In addition, the entire output of the joint venture is sold to the Company for resale to third-party customers.

The sixth joint venture is an ethylene storage joint venture located in Alberta, Canada. Previously accounted for as an equity method investment, the Company became the primary beneficiary upon execution of new storage cavern agreements in 2011. The Company's variable interests relate to arrangements involving a majority of the joint venture's storage capacity on take-or-pay terms with pricing ensuring a guaranteed return to the joint venture; and favorably priced leases provided to the joint venture. The Company provides the joint venture with operation and maintenance services and utilities.

The seventh joint venture is a development-stage enterprise located in Brazil that will initially produce ethanol from sugarcane. The Company owned 100 percent of this entity until November 2011, when the Company sold a 50 percent interest to a third party. The Company's variable interests in this joint venture relate to an equity option between the partners, a parental guarantee related to debt financing and contractual arrangements limiting the partner's initial participation in the economics of certain assets and liabilities. On July 12, 2013, the partners amended governing documents of the joint venture, including terms of the equity option. These amendments do not result in a change to the Company’s accounting treatment of the joint venture. Terms of the equity option require the Company to purchase the partner's equity investment at a price based on a specified formula if the partner elects to exit the joint venture. The Company has classified a portion of the partner's equity investment as "Redeemable Noncontrolling Interest" in the consolidated balance sheets. The joint venture's ethanol mill is expected to process its first harvest of sugarcane in 2014. Original plans for the joint venture’s expansion into downstream derivative products have been postponed.

The eighth joint venture manages the growth, harvest and conditioning of soybean seed and grain, corn and wheat in several midwestern states in the United States. On March 2, 2012, the Company acquired a 49 percent equity interest in this venture. The Company's variable interest in this joint venture relates to an equity option between the partners. Terms of the equity option require the Company to purchase the partner's equity investment at a fixed price, after a specified period of time if the partner elects to sell its equity investment. The joint venture provides seed production services to the Company.

The Company also holds a variable interest in an owner trust, for which the Company is the primary beneficiary. The owner trust leases an ethylene facility in The Netherlands to the Company, whereby substantially all of the rights and obligations of ownership are transferred to the Company. On February 1, 2013, the Company notified the owner trust of its intent to purchase the facility upon expiration of the lease in January 2014 for $406 million. The Company’s

variable interest in the owner trust relates to the fixed purchase price option. Prior to February 1, 2013, the Company's variable interest in the owner trust related to a residual value guarantee provided to the owner trust, which was valued at $363 million at December 31, 2012.

Table of Contents

As the primary beneficiary of these variable interest entities ("VIEs"), the entities' assets, liabilities and results of operations are included in the Company's consolidated financial statements. The other equity holders' interests are reflected in "Net income attributable to noncontrolling interests" in the consolidated statements of income and "Redeemable Noncontrolling Interest" and "Noncontrolling interests" in the consolidated balance sheets. The following table summarizes the carrying amounts of the entities' assets and liabilities included in the Company's consolidated balance sheets at September 30, 2013 and December 31, 2012:

Assets and Liabilities of Consolidated VIEs In millions	Sep 30, 2013	Dec 31, 2012
Cash and cash equivalents (1)	$170	$146
Other current assets	128	129
Property	2,625	2,554
Other noncurrent assets	122	139
Total assets (2)	$3,045	$2,968
Current liabilities (nonrecourse 2013: $259; 2012: $261)	$605	$261
Long-term debt (nonrecourse 2013: $1,456; 2012: $1,406)	1,456	1,752
Other noncurrent liabilities (nonrecourse 2013: $75; 2012: $99)	75	99
Total liabilities	$2,136	$2,112

(1) Includes $2 million at September 30, 2013 ($2 million at December 31, 2012) specifically restricted for the construction of a manufacturing facility.

(2) All assets were restricted at September 30, 2013 and December 31, 2012.

In addition, the Company holds a variable interest in an entity created to monetize accounts receivable of select European entities. The Company is the primary beneficiary of this entity as a result of holding subordinated notes while maintaining servicing responsibilities for the accounts receivable. The carrying amounts of assets and liabilities included in the Company's consolidated balance sheets pertaining to this entity were current assets of $109 million (zero restricted) at September 30, 2013 ($179 million, zero restricted, at December 31, 2012) and zero current liabilities (zero nonrecourse) at September 30, 2013 (less than $1 million, less than $1 million nonrecourse, at December 31, 2012).

Amounts presented in the consolidated balance sheets and the table above as restricted assets or nonrecourse obligations relating to consolidated VIEs at September 30, 2013 and December 31, 2012 are adjusted for intercompany eliminations, parental guarantees and residual value guarantees.

Nonconsolidated Variable Interest Entity

The Company holds a variable interest in a joint venture that manufactures crude acrylic acid in the United States and Germany on behalf of the Company and the other joint venture partner. The variable interest relates to a cost-plus arrangement between the joint venture and each joint venture partner. The Company is not the primary beneficiary, as a majority of the joint venture's output is sold to the other joint venture partner; therefore, the entity is accounted for under the equity method of accounting. At September 30, 2013, the Company's investment in the joint venture was $148 million ($161 million at December 31, 2012), classified as "Investment in nonconsolidated affiliates" in the consolidated balance sheets, representing the Company's maximum exposure to loss.

Table of Contents

NOTE 12 – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Net Periodic Benefit Cost for All Significant Plans	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Defined Benefit Pension Plans:				
Service cost	$ 117	$ 95	$ 352	$ 285
Interest cost	252	274	757	822
Expected return on plan assets	(311)	(316)	(934)	(948)
Amortization of prior service cost	6	6	18	19
Amortization of net loss	197	130	591	390
Net periodic benefit cost	$ 261	$ 189	$ 784	$ 568
Other Postretirement Benefits:				
Service cost	$ 5	$ 4	$ 15	$ 12
Interest cost	20	23	60	69
Amortization of prior service credit	(1)	(1)	(3)	(3)
Net periodic benefit cost	$ 24	$ 26	$ 72	$ 78

Table of Contents

NOTE 13 – STOCK-BASED COMPENSATION

On February 9, 2012, the Board of Directors authorized The Dow Chemical Company 2012 Employee Stock Purchase Plan (the "2012 ESPP") and The Dow Company 2012 Stock Incentive Plan (the "2012 Plan"). Both plans were approved by stockholders at the Company's annual meeting held on May 10, 2012 and became effective on that date.

The 2012 ESPP superseded the Company's prior Employee Stock Purchase Plan. Under the 2013 annual offering of the 2012 ESPP, most employees were eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base salary. The value is determined using the plan price multiplied by the number of shares subscribed to by the employee. The plan price of the stock is set each year at no less than 85 percent of market price.

During the first quarter of 2013, employees subscribed to the right to purchase 8.3 million shares of the Company's common stock with a weighted-average exercise price of $27.05 per share and a weighted-average fair value of $7.20 per share under the 2012 ESPP.

The Company grants and has granted stock-based compensation to employees and non-employee directors under the 2012 Plan, the 1988 Award and Option Plan (the "1988 Plan") and the 2003 Non-Employee Directors' Stock Incentive Plan (the "2003 Plan"). The 2012 Plan superseded the 1988 Plan and the 2003 Plan. Most of the Company's stock-based compensation awards are granted in the first quarter of each year.

During the first quarter of 2013, the Company granted the following stock-based compensation awards to employees under the 2012 Plan:

- 17.1 million stock options with a weighted-average exercise price of $32.16 per share and a weighted-average fair value of $6.99 per share;
- 3.6 million shares of deferred stock with a weighted-average fair value of $32.16 per share; and
- 1.3 million shares of performance deferred stock with a weighted-average fair value of $34.41 per share.

There was minimal grant activity to employees in the second and third quarters of 2013.

During the second quarter of 2013, the Company granted the following stock-based compensation awards to non-employee directors under the 2012 Plan.

- 35,280 shares of restricted stock with a weighted-average fair value of $34.46 per share.

There was minimal grant activity to non-employee directors in the third quarter of 2013.

Total unrecognized compensation cost at September 30, 2013 is provided in the following table:

Total Unrecognized Compensation Cost at September 30, 2013

In millions	Unrecognized Compensation Cost	Weighted-average Recognition Period (Years)
ESPP purchase rights	$4	0.13
Unvested stock options	$97	0.87
Deferred stock awards	$112	0.88
Performance deferred stock awards	$28	0.75

36

Table of Contents

NOTE 14 – EARNINGS PER SHARE CALCULATIONS

The following tables provide the earnings per share calculations for the three- and nine-month periods ended September 30, 2013 and 2012:

Net Income for Earnings Per Share Calculations - Basic	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net income	$685	$591	$3,788	$1,851
Net income attributable to noncontrolling interests	(6)	(9)	(49)	(38)
Net income attributable to The Dow Chemical Company	$679	$582	$3,739	$1,813
Preferred stock dividends	(85)	(85)	(255)	(255)
Net income attributable to participating securities (1)	(5)	(5)	(30)	(15)
Net income attributable to common stockholders	$589	$492	$3,454	$1,543

Earnings Per Share Calculations - Basic	Three Months Ended		Nine Months Ended	
Dollars per share	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net income	$0.58	$0.50	$3.20	$1.58
Net income attributable to noncontrolling interests	(0.01)	(0.01)	(0.04)	(0.03)
Net income attributable to The Dow Chemical Company	$0.57	$0.49	$3.16	$1.55
Preferred stock dividends	(0.07)	(0.07)	(0.22)	(0.22)
Net income attributable to participating securities (1)	—	—	(0.02)	(0.01)
Net income attributable to common stockholders	$0.50	$0.42	$2.92	$1.32

Net Income for Earnings Per Share Calculations - Diluted	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net Income	$685	$591	$3,788	$1,851
Net Income attributable to noncontrolling interests	$(6)	$(9)	$(49)	$(38)
Net income attributable to The Dow Chemical Company	$679	$582	$3,739	$1,813
Preferred stock dividends (2)	(85)	(85)	—	(255)
Net income attributable to participating securities (1)	(5)	(5)	(30)	(15)
Net income attributable to common stockholders	$589	$492	$3,709	$1,543

Earnings Per Share Calculations - Diluted	Three Months Ended		Nine Months Ended	
Dollars per share	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net income	$0.57	$0.50	$2.94	$1.57
Net income attributable to noncontrolling interests	(0.01)	(0.01)	(0.04)	(0.03)
Net income attributable to The Dow Chemical Company	$0.56	$0.49	$2.90	$1.54
Preferred stock dividends (2)	(0.07)	(0.07)	—	(0.22)
Net income attributable to participating securities (1)	—	—	(0.02)	(0.01)
Net income attributable to common stockholders	$0.49	$0.42	$2.88	$1.31

(1) Accounting Standards Codification Topic 260, "Earnings per Share," requires enterprises with participating securities to use the two-class method to calculate earnings per share and to report the most dilutive earnings per share amount. Deferred stock awards are considered participating securities due to Dow's practice of paying dividend equivalents on unvested shares.

(2) Preferred stock dividends were not added back in the calculation of diluted earnings per share for the three-month period ended September 30, 2013 and the three- and nine-month periods ended September 30,

2012 because the effect of adding them back would have been antidilutive.

Table of Contents

Additional Share Count Information	Three Months Ended		Nine Months Ended	
Shares in millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Weighted-average common shares - basic	1,187.4	1,172.7	1,184.9	1,167.8
Plus dilutive effect of stock options and awards	6.8	6.8	6.1	7.1
Plus dilutive effect of assumed conversion of preferred stock (1)	—	—	96.8	—
Weighted-average common shares - diluted	1,194.2	1,179.5	1,287.8	1,174.9
Stock options and deferred stock awards excluded from EPS calculations (2)	39.2	54.0	56.5	52.2

(1) Conversion of the Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company’s common stock was excluded from the calculation of diluted earnings per share for the three-month period ended September 30, 2013 and the three- and nine-month periods ended September 30, 2012 because the effect of including them would have been antidilutive.

(2) These outstanding options to purchase shares of common stock and deferred stock awards were excluded from the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

NOTE 15 – INCOME TAXES

During the first quarter of 2013, court rulings on two separate tax matters resulted in the adjustment of uncertain tax positions. In February 2013, the U.S. District Court for the Middle District of Louisiana issued a ruling that disallowed, for tax purposes, transactions and partnerships associated with Chemtech, a wholly owned subsidiary. In March 2013, the U.S. Supreme Court denied certiorari in Union Carbide's research tax credit case. Through the denial of certiorari, the decision issued by the U.S. Court of Appeals denying Union Carbide's tax credit claim for supplies used in process-related research and development at its manufacturing facilities became final. As a result of these rulings, the Company adjusted uncertain tax positions related to these matters, resulting in a tax charge of $223 million in the first quarter of 2013.

The following table provides a reconciliation of the Company's unrecognized tax benefits for the periods ended September 30, 2013 and December 31, 2012:

Total Gross Unrecognized Tax Benefits In millions	Sep 30, 2013	Dec 31, 2012
Balance at January 1	$409	$339
Increases related to positions taken on items from prior years	318	66
Decreases related to positions taken on items from prior years	(77)	(32)
Increases related to positions taken in the current year	11	53
Settlement of uncertain tax positions with authorities	(353)	(9)
Decreases due to expiration of statutes of limitations	(7)	(8)
Balance at end of period	$301	$409

At September 30, 2013, the total amount of unrecognized tax benefits was $301 million ($409 million at December 31, 2012), of which $293 million would impact the effective tax rate, if recognized ($392 million at December 31, 2012).

Interest and penalties associated with uncertain tax positions, including the matters that resulted in the adjustment of uncertain tax positions, are recognized as components of "Provision for income taxes" in the consolidated statements of income and totaled a benefit of $16 million for the three months ended September 30, 2013 ($2 million benefit for the three months ended September 30, 2012). During the nine months ended September 30, 2013, the Company

recognized a benefit of $167 million for interest and penalties associated with uncertain tax positions (a charge of $85 million for the nine months ended September 30, 2012). The Company's accrual for interest and penalties was $42 million at September 30, 2013 ($131 million at December 31, 2012).

Table of Contents

NOTE 16 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table provides an analysis of the changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2013 and 2012:

Accumulated Other Comprehensive Income (Loss)	Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012
Unrealized Gains on Investments at beginning of year	$147	$78
Net change in unrealized gains	13	74
Reclassification to earnings - Net Sales (net of tax of $(14), $(5)) (1)	(24)	(10)
Reclassification to earnings - Sundry income (expense) - net (net of tax $-, $(1)) (1)	—	(1)
Balance at end of period	$136	$141
Cumulative Translation Adjustments at beginning of year	328	72
Translation adjustments	55	165
Reclassification to earnings - Sundry income (expense) - net (2)	(21)	—
Balance at end of period	$362	$237
Pension and Other Postretirement Benefit Plans at beginning of year	(7,995)	(6,134)
Adjustments to pension and other postretirement benefit plans (net of tax of $204, $134) (1) (3)	432	279
Balance at end of period	$(7,563)	$(5,855)
Accumulated Derivative Income (Loss) at beginning of year	4	(12)
Net hedging results (4)	2	1
Reclassification to earnings - Cost of sales (net of tax of $(5), $9) (1) (4) (5)	(11)	7
Balance at end of period	$(5)	$(4)
Total Accumulated Other Comprehensive Loss	$(7,070)	$(5,481)

(1) Tax amounts are included in "Provision for income taxes" in the consolidated statements of income.

(2) Reclassification resulted from the divestiture of a nonconsolidated affiliate.

(3) Included in "Net periodic benefit cost." See Note 12 for additional information.

(4) Accumulated Derivative Income (Loss) activity for 2012 was reclassified in accordance with newly implemented ASU 2013-02.

(5) Presentation of the tax component for 2012 was changed to conform to the current year presentation.

NOTE 17 – OPERATING SEGMENTS AND GEOGRAPHIC AREAS

During the first quarter of 2013, the Company's Performance Plastics segment combined Dow Performance Packaging, Dow Hygiene and Medical, and Dow Polypropylene Licensing and Catalyst businesses into a newly created Dow Packaging and Specialty Plastics business to better align with the markets and customers served. The Performance Plastics businesses, which are reflected in the following updated profile for the segment, are as follows:

- Dow Elastomers
- Dow Electrical and Telecommunications
- Dow Packaging and Specialty Plastics

There were no other changes to Part I, Item I. Business included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

Performance Plastics

The Performance Plastics segment consists of the solution-oriented portfolio of Dow Elastomers, Dow Electrical and Telecommunications, and Dow Packaging and Specialty Plastics. These businesses serve high-growth, high value

sectors where Dow's world-class technology and rich innovation pipeline creates competitive advantages for customers and the entire value chain. Dow Elastomers is a leading global producer of polyolefin elastomers and the largest metallocene ethylene propylene diene monomer ("EPDM") producer providing a cost-advantaged position. Dow Electrical and Telecommunications is a pioneer in the production of polymers for wire and cable applications. Dow Packaging and Specialty Plastics is a leading materials supplier of polyethylene based resins, films and specialty polymers for strategic segments within its five global target market sectors - performance packaging, hygiene and medical, adhesives and functional materials, industrial specialties and photovoltaic films.

These businesses also have complementary market reach, asset capabilities and technology platforms that provide the Company with immediate and long-term growth synergies. The segment has broad geographic reach with sales in more

Table of Contents

than 100 countries and manufacturing facilities located in all geographic areas. Market growth is expected to be driven by major shifts in population demographics, improving socioeconomic status in emerging geographies, consumer and brand owner demand for increased consumer convenience, efforts to reduce food waste, growth in telecommunications networks, specifically broadband and LTE networks, and global development of electrical transmission and distribution infrastructure and renewable energy applications.

Details on Performance Plastics' 2012 sales, by business and geographic area, are as follows:

Products
Major products by business and applications/market segments are listed below:

Business	Major Products	Applications/Market Segments
Dow Elastomers	Elastomers, plastomers, EPDMs	Adhesives, footwear, housewares, infrastructure, sports recreation, toys and infant products, transportation
Dow Electrical and Telecommunications	Wire and cable insulation, semiconductive and jacketing compound solutions, bio-based plasticizers	Building and construction, electrical transmission and distribution infrastructure, telecommunications infrastructure
Dow Packaging and Specialty Plastics	Polyethylene, low-density polyethylene, linear low-density polethylene, high-density polyethylene, polyolefin emulsions, polyolefin plastomers, acrylics	Adhesives; flexible packaging for food and beverages; rigid packaging for food, household goods and industrial products; medical end-use; personal care products; sealants; unitization films; and water, natural gas and irrigation pipe

Transfers of products between operating segments are generally valued at cost. However, transfers of products to Agricultural Sciences from other segments are generally valued at market-based prices; the revenues generated by these transfers in the first nine months of 2013 and 2012 were immaterial and eliminated in consolidation.

Table of Contents

Operating Segments	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales by operating segment				
Electronic and Functional Materials	$1,168	$1,111	$3,461	$3,383
Coatings and Infrastructure Solutions	1,839	1,730	5,394	5,321
Agricultural Sciences	1,410	1,302	5,363	4,816
Performance Materials	3,307	3,411	10,024	10,253
Performance Plastics	3,616	3,500	10,790	10,802
Feedstocks and Energy	2,328	2,521	7,427	8,113
Corporate	66	62	235	181
Total	$13,734	$13,637	$42,694	$42,869
EBITDA (1) by operating segment				
Electronic and Functional Materials	$287	$273	$814	$803
Coatings and Infrastructure Solutions	283	246	719	787
Agricultural Sciences	18	63	792	821
Performance Materials	314	491	1,038	1,173
Performance Plastics	970	737	2,932	2,215
Feedstocks and Energy	187	200	620	532
Corporate	(225)	(212)	1,305	(865)
Total	$1,834	$1,798	$8,220	$5,466
Equity in earnings (losses) of nonconsolidated affiliates by operating segment (included in EBITDA)				
Electronic and Functional Materials	$36	$27	$81	$81
Coatings and Infrastructure Solutions	32	29	83	96
Agricultural Sciences	3	3	6	3
Performance Materials	(11)	(30)	(46)	(67)
Performance Plastics	134	28	279	101
Feedstocks and Energy	135	123	399	300
Corporate	(7)	(5)	(22)	(22)
Total	$322	$175	$780	$492

(1) The Company uses EBITDA (which Dow defines as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization) as its measure of profit/loss for segment reporting purposes. EBITDA by operating segment includes all operating items relating to the businesses, except depreciation and amortization; items that principally apply to the Company as a whole are assigned to Corporate. A reconciliation of EBITDA to "Income Before Income Taxes" is provided below.

Reconciliation of EBITDA to “Income Before Income Taxes”	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
EBITDA	$1,834	$1,798	$8,220	$5,466
- Depreciation and amortization	665	665	1,992	2,018
+ Interest income	11	10	29	26
- Interest expense and amortization of debt discount	264	318	839	959
Income Before Income Taxes	$916	$825	$5,418	$2,515

Geographic Areas	Three Months Ended	Nine Months Ended
In millions		

	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales by geographic area				
United States	$4,471	$4,394	$14,089	$14,029
Europe, Middle East and Africa	4,308	4,446	13,794	14,680
Rest of World	4,955	4,797	14,811	14,160
Total	$13,734	$13,637	$42,694	$42,869

Table of Contents

NOTE 18 - SUBSEQUENT EVENT

On October 11, 2013, the Company entered into a definitive agreement under which the Company's global Polypropylene Licensing and Catalysts business will be divested to W. R. Grace & Co. for a sale price of $500 million. The transaction is expected to close by the end of 2013, pending regulatory approval, and the Company expects to report a gain on this divestiture. The divestiture will include the Company's polypropylene catalysts manufacturing facility in Norco, Louisiana. Also included are customer contracts, licenses, intellectual property and inventory.

Table of Contents

The Dow Chemical Company and Subsidiaries
(Unaudited) PART I – FINANCIAL INFORMATION, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

The Company reported sales in the third quarter of 2013 of $13.7 billion, up 1 percent compared with $13.6 billion in the third quarter of 2012. Sales increased in Agricultural Sciences (up 8 percent), Coatings and Infrastructure Solutions (up 6 percent), Electronic and Functional Materials (up 5 percent) and Performance Plastics (up 3 percent). These gains offset declines in Feedstocks and Energy (down 7 percent) and Performance Materials (down 3 percent). Sales increased in North America and Latin America, which more than offset declines in Asia Pacific and Europe, Middle East and Africa ("EMEA").

- Price increased 3 percent compared with the same period last year, with increases reported in all operating segments, except Electronic and Functional Materials (down 1 percent) and Feedstocks and Energy (flat). Price increased in all geographic areas, except Asia Pacific (down 1 percent) which was negatively impacted by currency.

- Volume declined 2 percent compared with the third quarter of 2012, with mixed results by operating segment and decreases reported in all geographic areas, except Latin America (up 5 percent). Volume gains reported in Electronic and Functional Materials (up 6 percent) and Coatings and Infrastructure Solutions and Agricultural Sciences (each up 5 percent) were more than offset by declines in Feedstocks and Energy (down 7 percent), Performance Plastics (down 6 percent) and Performance Materials (down 4 percent). Excluding recent divestitures[(1)], volume declined 1 percent.

- Purchased feedstock and energy costs, which account for more than one-third of Dow's total costs, increased $374 million (8 percent), compared with the third quarter of 2012, primarily due to increased propane and natural gas costs.

- Research and development expenses and selling, general and administrative expenses decreased in the third quarter of 2013 compared with the same period last year, primarily due to lower performance-based compensation costs, which more than offset increased spending related to growth initiatives in the Agricultural Sciences operating segment.

- Equity earnings were $322 million in the third quarter of 2013, up $147 million from $175 million in the third quarter of 2012, led by higher earnings from the Company's joint ventures in Kuwait.

In addition to the financial highlights listed above, the Company also made the following announcements during or subsequent to the third quarter of 2013:

- On July 30, 2013, the Company announced that Bill Banholzer, Chief Technology Officer and Executive Vice President, had elected to retire. A.N. Sreeram was named Corporate Vice President of Research and Development, effective August 1, 2013.

- On August 27, 2013, the Company announced the location of four new Performance Plastics production units to be built on the U.S. Gulf Coast. Leveraging an advantaged feedstock position, these production units will support profitable growth of the Company's high value Performance Plastics franchise. The businesses, production units and locations impacted are as follows:
  - Dow Packaging and Specialty Plastics: An ELITE™ polymer production unit will be built in Freeport, Texas; the Company will also build a Low Density Polyethylene (LDPE) production unit in Plaquemine, Louisiana.
  - Dow Elastomers: A NORDEL™ metallocene ethylene propylene diene monomer ("EPDM") production unit will be built in Plaquemine, Louisiana; the Company will also build a High Melt Index (HMI) AFFINITY™ brand polymer production unit in Freeport, Texas.

- On October 11, 2013, the Company entered into a definitive agreement under which the Company's global Polypropylene Licensing and Catalysts business will be divested to W. R. Grace & Co. for a sale price of $500 million. The transaction is expected to close by the end of 2013, pending regulatory approval, and the Company expects to report a gain on this divestiture. The divestiture will include the Company's polypropylene catalysts manufacturing facility in Norco, Louisiana. Also included are customer contracts, licenses, intellectual property and inventory.

(1) Excludes sales related to Nippon Unicar Company, Limited, which was divested on July 1, 2013.

Table of Contents

Selected Financial Data	Three Months Ended		Nine Months Ended	
In millions, except per share amounts	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net sales	$13,734	$13,637	$42,694	$42,869
Cost of sales	$11,716	$11,368	$35,526	$35,853
Percent of net sales	85.3 %	83.4 %	83.2 %	83.6 %
Research and development expenses	$418	$434	$1,270	$1,245
Percent of net sales	3.0 %	3.2 %	3.0 %	2.9 %
Selling, general and administrative expenses	$698	$739	$2,186	$2,120
Percent of net sales	5.1 %	5.4 %	5.1 %	4.9 %
Effective tax rate	25.2 %	28.4 %	30.1 %	26.4 %
Net income available for common stockholders	$594	$497	$3,484	$1,558
Earnings per common share – basic	$0.50	$0.42	$2.92	$1.32
Earnings per common share – diluted	$0.49	$0.42	$2.88	$1.31
Operating rate percentage	82 %	83 %	81 %	81 %

RESULTS OF OPERATIONS

Net sales in the third quarter of 2013 were $13.7 billion, up 1 percent from $13.6 billion in the third quarter of last year, with price up 3 percent and volume down 2 percent. Price increased in all operating segments, except Electronic and Functional Materials (down 1 percent) and Feedstocks and Energy (flat). Price increased in all geographic areas, except Asia Pacific (down 1 percent). The decline in volume primarily reflects the impact of a recent divestiture. Excluding this divestiture, volume declined 1 percent with declines in Feedstocks and Energy (down 7 percent), Performance Materials (down 4 percent) and Performance Plastics (down 3 percent) more than offsetting volume increases in Electronic and Functional Materials (up 6 percent), Coatings and Infrastructure Solutions and Agricultural Sciences (both up 5 percent). Volume was mixed by geographic area, with increases in Latin America (up 5 percent) and Asia Pacific (up 3 percent) more than offset by declines in EMEA (down 6 percent) and North America (down 2 percent).

Net sales for the first nine months of 2013 were $42.7 billion, essentially flat from $42.9 billion in the same period last year, with price up 1 percent and volume down 1 percent. Price increases in Performance Plastics (up 3 percent) and Agricultural Sciences (up 2 percent) more than offset price declines in Electronic and Functional Materials and Feedstocks and Energy (both down 2 percent). Coatings and Infrastructure Solutions and Performance Materials prices remained flat. Price increased in all geographic areas, except Asia Pacific (down 2 percent). The decline in volume reflects the impact of a recent divestiture. Excluding this divestiture, volume declined 1 percent as decreases in Feedstocks and Energy (down 6 percent), Performance Plastics and Performance Materials (both down 2 percent) more than offset volume increases in Agricultural Sciences (up 9 percent), Electronic and Functional Materials (up 4 percent) and Coatings and Infrastructure Solutions (up 1 percent). Volume increased in all geographic areas, except EMEA (down 7 percent).

Gross margin was $2.0 billion in the third quarter of 2013, down from $2.3 billion in the third quarter of last year. Gross margin was impacted by decreased sales volume, higher feedstock and energy costs, higher selling prices and

lower performance-based compensation costs. Gross margin was also negatively impacted by $7 million of restructuring plan implementation costs in the third quarter of 2013. In the third quarter of 2012, gross margin was favorably impacted by the recovery of previously expensed product liability claims, pursuant to an Insurance Allocation Agreement with Dow Corning. Year to date, gross margin was nearly $7.2 billion, compared with $7.0 billion in the first nine months of 2012. The increase in gross margin was primarily due to the impact of higher selling prices and recovery of Dow's costs incurred in the K-Dow arbitration, including legal fees, which more than offset higher performance-based compensation costs. Gross margin was negatively impacted by $30 million of restructuring plan implementation costs in the first nine months of 2013.

Table of Contents

The Company’s global plant operating rate was 82 percent of capacity in the third quarter of 2013, down from 83 percent in the third quarter of 2012. For the first nine months of 2013, the Company's global plant operating rate was 81 percent, unchanged from the first nine months of 2012.

Personnel count was 52,030 at September 30, 2013, down from 54,353 at December 31, 2012 and 52,611 at September 30, 2012. Headcount decreased from December 31, 2012 and September 30, 2012 primarily due to the Company's 2012 restructuring programs, which are expected to be completed primarily by March 31, 2015. The decline in headcount from December 31, 2012 was also impacted by the reduction of seasonal employees in the Agricultural Sciences operating segment, primarily in Latin America.

Research and development (“R&D”) expenses totaled $418 million in the third quarter of 2013, down 4 percent from $434 million in the third quarter of last year, primarily due to lower performance-based compensation costs which were partially offset by increased spending on growth initiatives in the Agricultural Sciences operating segment. For the first nine months of 2013, R&D expenses totaled $1,270 million, up from $1,245 million in the first nine months of 2012.

Selling, general and administrative (“SG&A”) expenses totaled $698 million in the third quarter of 2013, down $41 million (6 percent) from $739 million in the third quarter of last year, primarily due to lower performance-based compensation costs which were partially offset by increased spending on growth initiatives in the Agricultural Sciences operating segment. For the first nine months of 2013, SG&A expenses totaled $2,186 million, up from $2,120 million in the first nine months of 2012.

Amortization of intangibles was $114 million in the third quarter of 2013, down from $117 million in the third quarter of last year. In the first nine months of 2013, amortization of intangibles was $344 million, down from $361 million in the same period last year. See Note 5 to the Consolidated Financial Statements for additional information on intangible assets.

On March 27, 2012, the Company's Board of Directors approved a restructuring plan ("1Q12 Restructuring") as part of a series of actions to optimize its portfolio, respond to changing and volatile economic conditions, particularly in Western Europe, and to advance the Company's Efficiency for Growth program. As a result of the 1Q12 Restructuring activities, the Company recorded pretax restructuring charges of $357 million in the first quarter of 2012. See Note 3 to the Consolidated Financial Statements for details on the Company's restructuring activities.

Dow's share of the earnings of nonconsolidated affiliates was $322 million in the third quarter of 2013, up from $175 million the same quarter last year primarily due to higher earnings from EQUATE Petrochemical Company K.S.C. ("EQUATE"), The Kuwait Styrene Company K.S.C. and The SCG-Dow Group. For the first nine months of 2013, Dow’s share of the earnings of nonconsolidated affiliates was $780 million, up from $492 million in the same period last year, primarily due to increased earnings from EQUATE, MEGlobal, The Kuwait Styrene Company K.S.C., Univation Technologies, LLC and improved results from The SCG-Dow Group.

In July 2012, the Chinese Ministry of Commerce ("MOFCOM") initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the United States and Korea based on a petition filed by Chinese solar-grade polycrystalline silicon producers. The petition alleges that producers within these countries, including Dow Corning, exported solar-grade polycrystalline silicon to China at less than fair value, and that production of solar-grade polycrystalline silicon in the United States has been subsidized by the U.S. government. On July 18, 2013, MOFCOM announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the United States and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the United States and Korea ranging from 2.4 percent to 57 percent, including duties of 53.3 percent on future imports of solar-grade polycrystalline silicon

produced by Dow Corning. On September 16, 2013, the Chinese authorities imposed provisional countervailing duties of 6.5 percent. Although subject to a final review process by MOFCOM, the requirement for customers to pay provisional duties on imports from solar-grade polycrystalline silicon producers became effective July 24, 2013 for the antidumping duties and September 20, 2013 for the countervailing duties. Dow Corning will not be subject to duties for previous sales. Dow Corning is cooperating with MOFCOM in the investigations and is vigorously contesting the determination. Dow Corning's polycrystalline silicon products accounted for a significant portion of its operating results.

As a result of the preliminary determination notices received from MOFCOM in July and September 2013, Dow Corning evaluated its polycrystalline silicon asset group for impairment. Dow Corning’s estimate of future undiscounted cash flows continued to indicate the polycrystalline silicon asset group is recoverable. However, due to challenging market conditions and other factors, it is reasonably possible that the estimate of undiscounted cash flows could change in the near term, resulting in the write-down of assets to fair value. If an asset impairment is recorded at Dow Corning related to the polycrystalline silicon asset group, the maximum potential after tax impact to Dow is estimated to be approximately $800 million.

Table of Contents

Sundry income (expense) – net includes a variety of income and expense items such as the gain or loss on foreign currency exchange, dividends from investments and gains and losses on sales of investments and assets. Sundry income (expense) – net in the third quarter of 2013 was income of $59 million, an increase of $80 million compared with expense of $21 million in the same quarter last year. The third quarter of 2013 included gains on sales of assets and an equity method investment. The third quarter of 2012 included foreign currency exchange losses and non-income tax related expenses. Year to date, sundry income (expense) - net was income of $2,080 million, an increase of $2,057 million compared with income of $23 million in the same period last year. The first nine months of 2013 included a gain of $2.161 billion related to damages awarded to the Company in the K-Dow arbitration proceeding (reflected in Corporate), gains on sales of assets and equity method investments and a $173 million loss on the early extinguishment of debt (reflected in Corporate). In the first nine months of 2012, sundry income (expense) – net included gains from small divestitures and asset sales, a gain due to income tax recoveries related to a prior divestiture, a $24 million loss on the early extinguishment of debt (reflected in Corporate), non-income tax related expenses and foreign currency exchange losses. See Note 8 to the Consolidated Financial Statements for additional information related to the K-Dow arbitration proceeding and Note 10 for additional information related to the early extinguishment of debt.

Net interest expense (interest expense less capitalized interest and interest income) was $253 million in the third quarter of 2013, compared with $308 million in the third quarter of last year. Year to date, net interest expense was $810 million compared with $933 million in the first nine months of 2012. The decline reflects the Company's ongoing deleveraging activities and lower debt financing costs. Interest income was $11 million in the third quarter of 2013, compared with $10 million in the third quarter of 2012, and $29 million for the first nine months of 2013, compared with $26 million in the first nine months of 2012.

The effective tax rate for the third quarter of 2013 was 25.2 percent compared with 28.4 percent for the third quarter of 2012. For the first nine months of 2013 the effective tax rate was 30.1 percent compared with 26.4 percent for the first nine months of 2012. The Company's effective tax rate fluctuates based on, among other factors, where income is earned, reinvestment assertions regarding earned income and the level of income relative to tax credits available. For example, as the percentage of foreign sourced income increases, the Company's effective tax rate declines. The Company's tax rate is also influenced by the level of equity earnings, since most of the earnings from the Company's equity company investments are taxed at the joint venture level. The increase in the first nine months of 2013 tax rate compared with the first nine months of 2012 tax rate was primarily due to a change in the geographic mix of earnings and a $223 million tax charge related to court rulings on two separate matters that resulted in the adjustment of uncertain tax positions, partially offset by the level of taxation related to the K-Dow award. See Note 15 to the Consolidated Financial Statements for additional information on income taxes.

Net income attributable to noncontrolling interests was $6 million in the third quarter of 2013 compared with $9 million in the third quarter of 2012. Net income attributable to noncontrolling interests was $49 million in the first nine months of 2013, up from $38 million in the first nine months of 2012.

Preferred stock dividends of $85 million were recognized in the third quarters of 2013 and 2012 ($255 million in the first nine months of 2013 and 2012), related to the Company’s Cumulative Convertible Perpetual Preferred Stock, Series A.

Net income available for common stockholders was $594 million, or $0.49 per share, in the third quarter of 2013, compared with $497 million, or $0.42 per share, in the third quarter of 2012. Net income available for common stockholders for the first nine months of 2013 was $3,484 million, or $2.88 per share, compared with $1,558 million, or $1.31 for the same period of 2012. During the second quarter of 2013, the Company recorded a gain related to the K-Dow arbitration which significantly increased net income for the nine-month period ended September 30, 2013. As a result of this increase, the assumed conversion of the Company's Cumulative Convertible Perpetual Preferred Stock,

Series A into potential shares of the Company's common stock was dilutive for the nine-month period ended September 30, 2013. See Note 14 to the Consolidated Financial Statements for details on the Company's earnings per share calculations.

Subsequent Event

On October 11, 2013, the Company entered into a definitive agreement under which the Company’s global Polypropylene Licensing and Catalysts business will be divested to W. R. Grace & Co. for a sale price of $500 million. The transaction is expected to close by the end of 2013, pending regulatory approval, and the Company expects to report a gain on this divestiture. The divestiture will include the Company’s polypropylene catalysts manufacturing facility in Norco, Louisiana. Also included are customer contracts, licenses, intellectual property and inventory.

Table of Contents

The following tables summarize the impact of certain items recorded in the three- and nine-month periods ended September 30, 2013 and September 30, 2012, and previously described in this section.

Certain Items Impacting Results	Pretax Impact (1) Three Months Ended		Net Income (2) Three Months Ended		EPS - Diluted (3) Three Months Ended	
In millions, except per share amounts (Unaudited)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Adjusted to exclude certain items (non-GAAP measures)			$599	$497	$0.50	$0.42
Certain items:						
Cost of Sales:						
Restructuring plan implementation costs	$(7)	$—	(5)	—	(0.01)	—
Total certain items	$(7)	$—	$(5)	$—	$(0.01)	$—
Reported GAAP Amounts			$594	$497	$0.49	$0.42

Certain Items Impacting Results	Pretax Impact (1) Nine Months Ended		Net Income (2) Nine Months Ended		EPS - Diluted (3) Nine Months Ended	
In millions, except per share amounts (Unaudited)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Adjusted to exclude certain items (non-GAAP measures) (4)			$2,188	$1,860	$1.83	$1.57
Certain items:						
Cost of sales:						
Restructuring plan implementation costs (4)	$(30)	$—	(20)	—	(0.02)	—
Selling, general and administrative expenses:						
Restructuring plan implementation costs (4)	(1)	—	(1)	—	—	—
Restructuring charges	—	(357)	—	(287)	—	(0.25)
Sundry income (expense) - net:						
Loss on early extinguishment of debt (4)	(170)	(24)	(107)	(15)	(0.09)	(0.01)
Gain from K-Dow arbitration (4)	2,161	—	1,647	—	1.37	—
Provision for income taxes:						
Uncertain tax position adjustments	—	—	(223)	—	(0.19)	—
Total certain items (4)	$1,960	$(381)	$1,296	$(302)	$1.07	$(0.26)
Dilutive effect of assumed preferred stock conversion into shares of common stock					(0.02)	—
Reported GAAP Amounts (5) (6)			$3,484	$1,558	$2.88	$1.31

(1) Impact on "Income Before Income Taxes."

(2) "Net Income Available for The Dow Chemical Company Common Stockholders."

(3) "Earnings per common share - diluted."

(4) For the nine-month period ended September 30, 2013, conversion of the Company's Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company's common stock was excluded from the calculation of "Diluted earnings per share adjusted to exclude certain items" as well as the earnings per share impact of certain items because the effect of including them would have been antidilutive.

(5) For the nine-month period ended September 30, 2013, an assumed conversion of the Company's Cumulative Convertible Perpetual Preferred Stock, Series A into shares of the Company's common stock was included in the calculation of diluted earnings per share (reported GAAP amount).

(6) The Company used "Net Income Attributable to The Dow Chemical Company" when calculating diluted earnings per share (reported GAAP amount) for the nine-month period ended September 30, 2013, as it excludes preferred dividends of $255 million.

The Company's management believes that measures of income adjusted to exclude certain items ("non-GAAP" financial measures) provide relevant and meaningful information to investors about the ongoing operating results of the Company. Such financial measures are not recognized in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and should not be viewed as an alternative to U.S. GAAP financial measures of performance.

Table of Contents

OUTLOOK

The global business environment remains volatile with signs of hesitant growth at best. Amidst this uncertain environment, Dow is focused on managing every aspect of the Company’s enterprise through cost control actions, liberating and deploying cash to enhance the Company’s capital structure and reward shareholders.

These actions continue to generate earnings momentum. The Company's ongoing, targeted growth investments in strategic sectors such as agriculture, water, electronics and packaging, combined with de-emphasizing participation in commoditizing, non-strategic markets, further position Dow for ongoing growth in areas where the Company's differentiation is rewarded.

The Company will continue to take actions aligned with its priorities to reward shareholders, reduce interest payments through deleveraging activities and fund organic growth.

SEGMENT RESULTS

The Company uses EBITDA (which Dow defines as earnings (i.e., "Net Income") before interest, income taxes, depreciation and amortization) as its measure of profit/loss for segment reporting purposes. EBITDA by operating segment includes all operating items relating to the businesses, except depreciation and amortization; items that principally apply to the Company as a whole are assigned to Corporate. Additional information regarding the Company’s operating segments and a reconciliation of EBITDA to “Income Before Income Taxes” can be found in Note 17 to the Consolidated Financial Statements.

SALES VOLUME AND PRICE BY OPERATING SEGMENT AND GEOGRAPHIC AREA

Sales Volume and Price by Operating Segment and Geographic Area	Three Months Ended Sep 30, 2013			Nine Months Ended Sep 30, 2013		
Percentage change from prior year	Volume	Price	Total	Volume	Price	Total
Operating segments						
Electronic and Functional Materials	6%	(1)%	5%	4%	(2)%	2%
Coatings and Infrastructure Solutions	5	1	6	1	—	1
Agricultural Sciences	5	3	8	9	2	11
Performance Materials	(4)	1	(3)	(2)	—	(2)
Performance Plastics	(6)	9	3	(3)	3	—
Feedstocks and Energy	(7)	—	(7)	(6)	(2)	(8)
Total	(2)%	3%	1%	(1)%	1%	—%
Geographic areas						
United States	(2)%	4%	2%	(1)%	1%	—%
Europe, Middle East and Africa	(6)	3	(3)	(7)	1	(6)
Rest of World	2	1	3	5	—	5
Total	(2)%	3%	1%	(1)%	1%	—%

Sales Volume and Price by Operating Segment and Geographic Area Excluding Divestitures (1)	Three Months Ended Sep 30, 2013			Nine Months Ended Sep 30, 2013		
Percentage change from prior year	Volume	Price	Total	Volume	Price	Total
Operating segments						
Electronic and Functional Materials	6%	(1)%	5%	4%	(2)%	2%
Coatings and Infrastructure Solutions	5	1	6	1	—	1
Agricultural Sciences	5	3	8	9	2	11
Performance Materials	(4)	1	(3)	(2)	—	(2)

Performance Plastics	(3	)	9		6		(2	)	3		1	
Feedstocks and Energy	(7	)	—		(7	)	(6	)	(2	)	(8	)
Total	(1	)%	3	%	2	%	(1	)%	1	%	—	%
Geographic areas												
United States	(2	)%	4	%	2	%	(1	)%	1	%	—	%
Europe, Middle East and Africa	(6	)	3		(3	)	(7	)	1		(6	)
Rest of World	4		1		5		5		—		5	
Total	(1	)%	3	%	2	%	(1	)%	1	%	—	%

(1)Excludes sales related to Nippon Unicar Company, Limited, which was divested on July 1, 2013.

Table of Contents

ELECTRONIC AND FUNCTIONAL MATERIALS

The Electronic and Functional Materials segment consists of two businesses - Dow Electronic Materials and Functional Materials; and includes a portion of the Company's share of the results of Dow Corning Corporation ("Dow Corning"), a joint venture of the Company. Dow Electronic Materials includes Display Technologies, Growth Technologies, Interconnect Technologies and Semiconductor Technologies. Functional Materials includes Dow Consumer and Industrial Solutions, Dow Microbial Control, and Dow Pharma and Food Solutions.

Electronic and Functional Materials	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$1,168	$1,111	$3,461	$3,383
Price change from comparative period	(1)%	N/A	(2)%	N/A
Volume change from comparative period	6 %	N/A	4 %	N/A
Equity earnings	$36	$27	$81	$81
EBITDA	$287	$273	$814	$803
Certain items impacting EBITDA	$—	$—	$—	$(17)

Electronic and Functional Materials sales were $1,168 million in the third quarter of 2013, up 5 percent from $1,111 million in the third quarter of 2012. Compared with the same quarter last year, price decreased 1 percent and volume increased 6 percent. Price increases in North America and EMEA were more than offset by decreases in Latin America and Asia Pacific. Prices decreased in most business units. Volume increased in all geographic areas, except EMEA, driven by higher demand for consumer electronics, specialty polymers used in home and personal care applications and specialty materials used in energy and industrial water applications. EBITDA in the third quarter of 2013 was $287 million, up from $273 million in the third quarter of 2012. EBITDA improved from last year as increased sales volume and higher equity earnings from Dow Corning more than offset lower selling prices.

Dow Electronic Materials sales in the third quarter of 2013 increased 2 percent from the same quarter last year, with price down 3 percent and volume up 5 percent. The decrease in price was driven by continued competitive pricing pressure and the unfavorable impact of currency, which represented nearly 60 percent of the decrease and was primarily due to the weakening Japanese yen. Continued growth in sales of smartphones, game consoles and media tablets drove volume gains in both Interconnect and Display Technologies. Volume increased in Interconnect Technologies due to higher demand for printed circuit boards and for advanced metallization used in electronic finishing. Volume also increased in Display Technologies due to higher demand for organic light emitting diode materials used in mobile applications and media tablets. These increases were partially offset by lower volume in the Semiconductor Technologies business unit due to decreased demand for chemical mechanical planarization pads and slurries.

Functional Materials sales in the third quarter of 2013 increased 8 percent compared with the same quarter last year, with price flat and volume up 8 percent. Price was flat as higher prices for acrolein derivatives were offset by lower prices in Dow Microbial Control and Dow Pharma and Food Solutions, notably cellulosics, due to the impact of price / volume optimization efforts. Volume increased in all geographic areas, except EMEA, driven by higher demand for acrolein derivatives, specialty materials used in energy applications and specialty amines and polymers used in home care applications. These increases more than offset lower demand for cellulosics used in food and pharmaceutical applications.

Electronic and Functional Materials sales were $3,461 million for the first nine months of 2013, up 2 percent from $3,383 million in the first nine months of 2012. Compared with the first nine months in 2012, price decreased 2 percent and volume increased 4 percent. EBITDA for the first nine months of 2013 was $814 million, up slightly from $803 million in 2012. EBITDA increased from last year as lower selling prices, higher raw material costs and higher operating costs associated with planned maintenance turnarounds were more than offset by increased sales volume

and lower R&D and SG&A expenses due to cost savings initiatives. In addition, EBITDA for the first nine months of 2012, was negatively impacted by a $17 million restructuring charge related to the write-off of a canceled capital project. See Note 3 to the Consolidated Financial Statements for additional information on the restructuring plan.

In July 2012, the Chinese Ministry of Commerce ("MOFCOM") initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the United States and Korea based on a petition filed by Chinese solar-grade polycrystalline silicon producers. The petition alleges that producers within these countries, including Dow Corning, exported solar-grade polycrystalline silicon to China at less than fair value, and that production of solar-grade polycrystalline silicon in the United States has been subsidized by the U.S. government. On July 18, 2013, MOFCOM

Table of Contents

announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the United States and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the United States and Korea ranging from 2.4 percent to 57 percent, including duties of 53.3 percent on future imports of solar-grade polycrystalline silicon produced by Dow Corning. On September 16, 2013, the Chinese authorities imposed provisional countervailing duties of 6.5 percent. Although subject to a final review process by MOFCOM, the requirement for customers to pay provisional duties on imports from solar-grade polycrystalline silicon producers became effective July 24, 2013 for the antidumping duties and September 20, 2013 for the countervailing duties. Dow Corning will not be subject to duties for previous sales. Dow Corning is cooperating with MOFCOM in the investigations and is vigorously contesting the determination. Dow Corning's polycrystalline silicon products accounted for a significant portion of its operating results.

COATINGS AND INFRASTRUCTURE SOLUTIONS

The Coatings and Infrastructure Solutions segment consists of the following businesses: Dow Building and Construction, Dow Coating Materials, Dow Water and Process Solutions, and Performance Monomers; and includes a portion of the Company's share of the results of Dow Corning Corporation, a joint venture of the Company.

Coatings and Infrastructure Solutions	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$1,839	$1,730	$5,394	$5,321
Price change from comparative period	1 %	N/A	— %	N/A
Volume change from comparative period	5 %	N/A	1 %	N/A
Equity earnings	$32	$29	$83	$96
EBITDA	$283	$246	$719	$787
Certain items impacting EBITDA	$—	$—	$—	$(41)

Coatings and Infrastructure Solutions sales were $1,839 million in the third quarter of 2013, up from $1,730 million in the third quarter of 2012. Sales increased 6 percent, with price up 1 percent and volume up 5 percent. Price increases in North America and EMEA more than offset declines in Latin America and Asia Pacific. Price increased in all businesses, except Dow Building and Construction. Volume was higher across all businesses and all geographic areas, except EMEA. Dow Coating Materials volume was higher, driven by increased demand for architectural coatings across most geographic areas, especially in North America and Asia Pacific. Dow Building and Construction reported volume gains in all geographic areas due to higher demand for insulation products. Performance Monomers volume increased due to higher demand for acrylic acid used in coating and adhesive applications. Dow Water and Process Solutions volume increased in Asia Pacific due to higher demand for reverse osmosis membranes used in water desalination projects and ultrapure water applications used in the production of consumer electronics, most notably in China. Lower demand for reverse osmosis membranes in North America and EMEA was partially offset by higher demand for ion exchange resins in Latin America, driven by large industrial projects.

EBITDA in the third quarter of 2013 was $283 million, up from $246 million in the third quarter of 2012. EBITDA improved from the same quarter last year as higher selling prices, increased sales volume and lower maintenance and operating costs more than offset higher feedstock and energy costs, higher other raw material costs and higher SG&A and R&D expenses.

Coatings and Infrastructure Solutions sales were $5,394 million for the first nine months of 2013, up 1 percent from $5,321 million in the first nine months of 2012. Compared with last year, price was unchanged and volume increased by 1 percent. Volume was slightly higher as increased demand for architectural coatings, industrial coatings, acrylic monomers and reverse osmosis membranes was largely offset by lower demand for insulation products and for vinyl acetate monomers.

EBITDA for the first nine months of 2013 was $719 million, compared with $787 million in the first nine months of 2012. EBITDA declined from last year as higher propylene and other raw material costs, higher spending related to planned maintenance turnarounds and decreased equity earnings, primarily from Dow Corning, more than offset higher sales volume and the favorable impact of currency on costs. In addition, EBITDA for the first nine months of 2012 was negatively impacted by $41 million of restructuring charges, consisting of asset write-downs and write-offs of $37 million and costs associated with exit or disposal activities of $4 million. See Note 3 to the Consolidated Financial Statements for additional information on the restructuring plan.

In July 2012, the Chinese Ministry of Commerce ("MOFCOM") initiated antidumping and countervailing duty investigations of imports of solar-grade polycrystalline silicon products from the United States and Korea based on a petition filed by Chinese

Table of Contents

solar-grade polycrystalline silicon producers. The petition alleges that producers within these countries, including Dow Corning, exported solar-grade polycrystalline silicon to China at less than fair value, and that production of solar-grade polycrystalline silicon in the United States has been subsidized by the U.S. government. On July 18, 2013, MOFCOM announced its preliminary determination that China's solar-grade polycrystalline silicon industry suffered material damage because of dumping by producers in the United States and Korea. The Chinese authorities imposed provisional antidumping duties on producers in the United States and Korea ranging from 2.4 percent to 57 percent, including duties of 53.3 percent on future imports of solar-grade polycrystalline silicon produced by Dow Corning. On September 16, 2013, the Chinese authorities imposed provisional countervailing duties of 6.5 percent. Although subject to a final review process by MOFCOM, the requirement for customers to pay provisional duties on imports from solar-grade polycrystalline silicon producers became effective July 24, 2013 for the antidumping duties and September 20, 2013 for the countervailing duties. Dow Corning will not be subject to duties for previous sales. Dow Corning is cooperating with MOFCOM in the investigations and is vigorously contesting the determination. Dow Corning's polycrystalline silicon products accounted for a significant portion of its operating results.

AGRICULTURAL SCIENCES

The Agricultural Sciences segment is a global leader in providing crop protection and plant biotechnology products, urban pest management solutions and healthy oils. The business invents, develops, manufactures and markets products for use in agriculture, industrial and commercial pest management, and food service. Agricultural Sciences consists of two businesses - Crop Protection and Seeds, Traits and Oils.

Agricultural Sciences	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$1,410	$1,302	$5,363	$4,816
Price change from comparative period	3 %	N/A	2 %	N/A
Volume change from comparative period	5 %	N/A	9 %	N/A
Equity earnings	$3	$3	$6	$3
EBITDA	$18	$63	$792	$821

Agricultural Sciences sales were $1,410 million in the third quarter of 2013, up 8 percent from $1,302 million in the third quarter of 2012, a third quarter sales record for the segment and the Crop Protection business. Compared with the third quarter of 2012, volume increased 5 percent and price increased 3 percent. Strong sales growth was reported in Latin America while North America and EMEA saw moderate growth and Asia Pacific was unfavorably impacted by currency. The Crop Protection business reported 10 percent sales growth with strong demand for spinosyn insecticides, soybean herbicides and glyphosate. Seeds, Traits and Oils reported a 4 percent sales decline with strong growth in Latin America more than offset by declines in North America as higher levels of seed returns due to missed plantings in the wet spring drove volume down. EBITDA for the third quarter of 2013 was $18 million, down from $63 million in the third quarter of 2012, primarily due to higher SG&A and R&D expenses related to growth initiatives. In addition, EBITDA in the third quarter of 2012 was favorably impacted from the recovery of previously expensed product liability claims.

For the first nine months of 2013, sales for Agricultural Sciences were $5,363 million, up 11 percent from $4,816 million in 2012, a new sales record for the segment and both businesses for the first nine months of the year. Compared with the same period last year, volume increased 9 percent and price increased 2 percent. The Crop Protection business grew 10 percent compared with the first nine months of 2012. New Crop Protection products grew 12 percent, while strong growth was also reported in glyphosate, the cereal herbicide portfolio and insecticides. Seeds, Traits and Oils grew 18 percent compared with the first nine months of 2012, with strong growth across most major seed portfolios and strong demand for SmartStax® corn hybrids. Agricultural Sciences reported double-digit growth

in Latin America and North America.

For the first nine months of 2013, EBITDA was $792 million, down $29 million from $821 million the first nine months of 2012. EBITDA declined slightly as strong sales growth in the Americas led by favorable global agricultural and food industry conditions, new product sales and new seed technologies were more than offset by increased R&D and SG&A expenses related to ongoing growth initiatives.

Table of Contents

PERFORMANCE MATERIALS

The Performance Materials segment consists of the following businesses: Amines; Chlorinated Organics; Dow Automotive Systems; Dow Formulated Systems; Dow Oil, Gas and Mining; Dow Plastics Additives; Epoxy; Oxygenated Solvents; Polyglycols, Surfactants and Fluids; Polyurethanes; and Propylene Oxide/Propylene Glycol ("PO/PG"). The segment also includes the results of Map Ta Phut Olefins Company Limited and a portion of the results of Sadara Chemical Company, both joint ventures of the Company.

Performance Materials	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$3,307	$3,411	$10,024	$10,253
Price change from comparative period	1 %	N/A	— %	N/A
Volume change from comparative period	(4)%	N/A	(2)%	N/A
Equity losses	$(11)	$(30)	$(46)	$(67)
EBITDA	$314	$491	$1,038	$1,173
Certain items impacting EBITDA	$—	$—	$—	$(186)

Performance Materials sales were $3,307 million in the third quarter of 2013, down 3 percent from $3,411 million in the third quarter of 2012. Price was up 1 percent as increases in North America and EMEA more than offset declines in Latin America and Asia Pacific. Higher propylene costs and other raw material costs drove price increases in nearly all businesses, except Dow Plastics Additives and Chlorinated Organics, which were lower due to competitive pricing pressure. Volume declined 4 percent with decreases reported in most businesses and in all geographic areas, except Latin America. Epoxy reported a double-digit volume decrease due to poor supply and demand fundamentals, especially in North America and Asia Pacific. Volume declined in Polyglycols, Surfactants and Fluids primarily due to fewer projects related to concentrated solar power applications. Oxygenated Solvents reported lower volume due to lower licensing revenue. Dow Formulated Systems volume was lower as stronger demand in the wind energy sector in Latin America and Asia Pacific was more than offset by lower demand in the infrastructure sector in North America and EMEA. Dow Automotive Systems reported volume gains, primarily due to strong demand in the North American transportation sector.

EBITDA for the third quarter of 2013 was $314 million, down from $491 million in the third quarter of 2012. Compared with the same period last year, higher propylene, energy and other raw material costs, decreased sales volume and increased spending for planned maintenance turnarounds were partially offset by higher selling prices and lower equity losses. EBITDA for the third quarter 2012 was favorably impacted by the recovery of previously expensed product liability claims.

For the first nine months of 2013, Performance Materials sales were $10,024 million, a decrease of 2 percent from $10,253 million in the first nine months of 2012. Compared with last year, price was flat and volume decreased 2 percent. Price trends varied across businesses and geographic areas. Price increases in North America and EMEA were offset by price declines in Latin America and Asia Pacific. Volume decreased as higher demand in Dow Automotive Systems, Dow Formulated Systems, Dow Oil, Gas and Mining and PO/PG was more than offset by weaker demand in other businesses.

EBITDA for the first nine months of 2013 was $1,038 million, down from $1,173 million in the first nine months of 2012. Compared with the same period last year, EBITDA declined due to higher propylene and energy costs and decreased sales volume. The first nine months of 2012 was negatively impacted by $186 million of restructuring charges related to the shutdown/consolidation of assets in the Polyurethanes and Epoxy businesses in Brazil, Texas and Germany, and the cancellation of a capital project. See Note 3 to the Consolidated Financial Statements for additional information on the restructuring plan.

On March 14, 2013, the Company announced the Dow Plastics Additives business was being marketed for divestment, as part of the Company's ongoing commitment to portfolio management. During the third quarter of 2013,

the Company determined this valuable business was being undervalued by potential buyers in the market. As a result, the Dow Plastics Additives business is no longer being marketed for divestment and will continue to be operated by the Company to obtain maximum value.

Table of Contents

PERFORMANCE PLASTICS

The Performance Plastics segment is a solutions-oriented portfolio comprised of Dow Elastomers; Dow Electrical and Telecommunications; and Dow Packaging and Specialty Plastics. The Performance Plastics segment also includes the results of Univation Technologies, LLC, as well as a portion of the results of EQUATE Petrochemical Company K.S.C. ("EQUATE"), The Kuwait Olefins Company K.S.C., The SCG-Dow Group and Sadara Chemical Company, all joint ventures of the Company.

Performance Plastics	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$3,616	$3,500	$10,790	$10,802
Price change from comparative period	9 %	N/A	3 %	N/A
Volume change from comparative period	(6)%	N/A	(3)%	N/A
Volume change, excluding divestitures	(3)%	N/A	(2)%	N/A
Equity earnings	$134	$28	$279	$101
EBITDA	$970	$737	$2,932	$2,215

Performance Plastics sales in the third quarter of 2013 were $3,616 million, up 3 percent from $3,500 million in the third quarter of 2012. Price increased by 9 percent, driven by aggressive price and volume management. Price increased in all geographic areas and all businesses, except Dow Elastomers which declined due to increased competitive pressure from additional industry supply. Volume declined 6 percent, primarily due to the divestiture of the Company's 50 percent interest in Nippon Unicar Company Limited. Excluding this divestiture, volume declined 3 percent, with decreases reported in all businesses. Dow Packaging and Specialty Plastics volume improved in all geographic areas, except EMEA, which reflects the Company's shutdown of a high-density polyethylene facility in Tessenderlo, Belgium. Dow Elastomers volume increased in North America and EMEA due to continued strong demand in the transportation and infrastructure industries, declined in Asia Pacific due to weakness in the transportation industry, and declined in Latin America due to more competitive industry conditions. Dow Electrical and Telecommunication volume was lower in all geographic areas, except Asia Pacific, due to weaker demand in the power and telecommunications industries and unplanned production outages at the Company’s Seadrift, Texas manufacturing facility.

EBITDA in the third quarter of 2013 was $970 million, up from $737 million in the third quarter of 2012. EBITDA improved as the impact of increased feedstock and energy costs and lower sales volume was more than offset by higher selling prices, lower spending for planned maintenance turnarounds and increased equity earnings led by the Kuwait joint ventures and The SCG-Dow Group.

Performance Plastics sales for the first nine months of 2013 were $10,790 million, essentially unchanged from $10,802 million in the first nine months of 2012. Compared with the first nine months of 2012, price increased 3 percent and volume decreased 3 percent. Excluding the impact of the July 1, 2013 divestiture of the Company’s 50 percent ownership interest in Nippon Unicar Company, Limited, volume was down 2 percent.

EBITDA for the first nine months of 2013 was $2,932 million, up from $2,215 million in the first nine months of 2012. EBITDA improved as the impact of higher selling prices, lower feedstock costs, increased equity earnings from EQUATE, The Kuwait Styrene Company K.S.C., Univation Technologies, LLC, and improved results from The SCG-Dow Group more than offset the impact of lower sales volume.

On August 27, 2013, the Company announced the location of four new Performance Plastics production units to be built on the U.S. Gulf Coast. Leveraging an advantaged feedstock position, these production units will support expected profitable growth of the Company's high value Performance Plastics franchise. The businesses, production

units and locations impacted are as follows:

- Dow Packaging and Specialty Plastics: An ELITE™ polymer production unit will be built in Freeport, Texas; the Company will also build a Low Density Polyethylene (LDPE) production unit in Plaquemine, Louisiana.
- Dow Elastomers: A NORDEL™ metallocene EPDM production unit will be built in Plaquemine, Louisiana; the Company will build a High Melt Index (HMI) AFFINITY™ brand polymer production unit in Freeport, Texas.

On October 11, 2013, the Company entered into a definitive agreement under which the Company's global Polypropylene Licensing and Catalysts business will be divested to W. R. Grace & Co. for a sale price of $500 million. The transaction is expected to close by the end of 2013, pending regulatory approval, and the Company expects to report a gain on this

Table of Contents

divestiture. The divestiture will include the Company’s polypropylene catalysts manufacturing facility in Norco, Louisiana. Also included are customer contracts, licenses, intellectual property and inventory.

FEEDSTOCKS AND ENERGY

The Feedstocks and Energy segment includes the following businesses: Chlor-Alkali/Chlor-Vinyl; Energy; Ethylene Oxide/Ethylene Glycol ("EO/EG"); and Hydrocarbons. Also included in the Feedstocks and Energy segment are the results of MEGlobal and a portion of the results of EQUATE Petrochemical Company K.S.C., The Kuwait Olefins Company K.S.C., and The SCG-Dow Group, all joint ventures of the Company.

Feedstocks and Energy	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$2,328	$2,521	$7,427	$8,113
Price change from comparative period	— %	N/A	(2)%	N/A
Volume change from comparative period	(7)%	N/A	(6)%	N/A
Equity earnings	$135	$123	$399	$300
EBITDA	$187	$200	$620	$532

Feedstocks and Energy sales were $2,328 million in the third quarter of 2013, down 7 percent from $2,521 million in the third quarter of 2012, with volume down 7 percent and price flat. For the first nine months of 2013, sales were $7,427 million, down from $8,113 million in the same period of 2012. Compared with the first nine months of 2012, volume decreased 6 percent while price decreased 2 percent.

Sales for the Hydrocarbons business decreased 12 percent in the third quarter of 2013, as volume decreased 9 percent and price decreased 3 percent. Volume declined due to lower by-product sales resulting from lower production and the use of lighter feedslate in Europe. Price declined primarily due to lower butadiene prices in the United States and Europe as well as lower prices for other by-products in Europe. For the first nine months of 2013, Hydrocarbons sales were down 13 percent from the same period last year.

Energy sales increased 20 percent in the third quarter of 2013 compared with the same quarter last year, due to a 12 percent increase in volume and an 8 percent increase in price. Sales for the Energy business are primarily opportunistic merchant sales driven by market conditions and sales to customers located on Dow manufacturing sites. For the first nine months of 2013, Energy sales were up 38 percent from the same period last year, driven by both price and volume increases in North America.

The Company uses derivatives of crude oil and natural gas as feedstocks in its ethylene facilities. In addition, the Company purchases electric power, benzene, ethylene and propylene to supplement internal production, as well as other raw materials. The Company's cost of purchased feedstocks and energy in the third quarter of 2013 increased $374 million (8 percent) compared with the same quarter last year, primarily due to increased propane and natural gas costs.

Sales for the Chlor-Alkali/Chlor-Vinyl business decreased 4 percent in the third quarter of 2013 compared with the same period last year, as a 10 percent decrease in volume was partially offset by a 6 percent increase in price. Price increases were driven by vinyl chloride monomer ("VCM") and ethylene dichloride ("EDC") due to the North America housing recovery. Prices also increased in caustic soda due to steady demand across all end-use applications. Caustic soda volume declined due to planned maintenance turnaround activity. For the first nine months of 2013, sales for Chlor-Alkali/Chlor-Vinyl were down 5 percent from the same period last year.

EO/EG sales were up 23 percent in the third quarter of 2013 compared with the same period last year, driven by a 13 percent increase in volume and 10 percent increase in price. Volume increased due to higher catalyst sales in North America and Asia Pacific. Prices increased for EO and monoethylene glycol (“MEG”) due to higher ethylene costs. For the first nine months of 2013, sales for EO/EG were up 17 percent from the same period last year, driven by a 13 percent increase in volume and 4 percent increase in price.

Feedstocks and Energy EBITDA in the third quarter of 2013 was $187 million, down from $200 million in the third quarter of 2012, with the impact of planned turnaround activity partially offset by higher equity earnings from EQUATE which was impacted by an unplanned outage in the third quarter of 2012. EBITDA for the first nine months of 2013 was $620 million, up from $532 million in the same period last year, due to improved equity earnings from MEGlobal and EQUATE. The

Table of Contents

Hydrocarbons business transfers materials to Dow's derivative businesses and the Energy business supplies utilities to Dow's businesses at net cost, resulting in EBITDA that is at or near break-even for these businesses.

The Company announced a number of investments in the U.S. Gulf Coast to take advantage of increasing supplies of low-cost natural gas and natural gas liquids from shale gas. As a result of these investments, the Company's exposure to purchased ethylene and propylene is expected to decline, offset by increased exposure to ethane and propane feedstocks. The Company also announced investments in a new on-purpose propylene production unit (expected start-up in 2015) and a new ethylene production unit (expected start-up in 2017), both located in Freeport, Texas. As a result of these investments, Dow's ethylene production capabilities are expected to increase by as much as 20 percent.

In the first quarter of 2013, the Company entered into an initial agreement for a long-term ethylene off-take arrangement with a new joint venture to be formed between Idemitsu Kosan Co., Ltd. and Mitsui & Co., Ltd., of Tokyo, Japan. The joint venture will produce linear alpha olefins, a portion of which are used as comonomers by some of the Performance Plastics businesses.

CORPORATE

Included in the results for Corporate are:

- results of insurance company operations;
- results of Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities);
- Venture Capital;
- gains and losses on sales of financial assets;
- stock-based compensation expense and severance costs;
- asbestos-related defense and resolution costs;
- foreign exchange results;
- non-business aligned technology licensing and catalyst activities;
- environmental operations;
- enterprise level mega project activities; and
- certain corporate overhead costs and cost recovery variances not allocated to the operating segments.

Corporate	Three Months Ended		Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Sales	$66	$62	$235	$181
Equity losses	$(7)	$(5)	$(22)	$(22)
EBITDA	$(225)	$(212)	$1,305	$(865)
Certain items impacting EBITDA	$(7)	$—	$1,960	$(137)

Sales for Corporate, which primarily relate to the Company's insurance operations, were $66 million in the third quarter of 2013, up from $62 million the third quarter of 2012. For the first nine months of 2013, sales were $235 million, up from $181 million in the same period of 2012.

EBITDA in the third quarter of 2013 was a loss of $225 million, compared with a loss of $212 million in the third quarter of 2012. EBITDA in the third quarter of the 2013 was negatively impacted by $7 million of implementation costs related to the Company's 2012 restructuring programs.

EBITDA for the first nine months of 2013 was a gain of $1,305 million, compared with a loss of $865 million in the same period last year. EBITDA was favorably impacted by a gain from the K-Dow arbitration (including a pretax gain

of $2.161 billion related to damages awarded), lower performance-based compensation costs (including expenses related to stock-based compensation and lower Employees' Stock Purchase Plan expenses) and reduced foreign currency losses. EBITDA for the first nine months of 2013 was reduced by a $170 million loss related to the early extinguishment of debt as well as $31 million of implementation costs related to the Company's 2012 restructuring programs. EBITDA for the first nine months of 2012 was reduced by $113 million of severance costs related to the workforce reduction component of the Company's 1Q12 Restructuring plan as well as a $24 million loss related to the early extinguishment of debt. See Note 3 to the Consolidated Financial Statements for additional information on the 2012 restructuring programs; Note 8 for information on the K-Dow arbitration matter; and Note 10 for information on the loss on early extinguishment of debt.

Table of Contents

CHANGES IN FINANCIAL CONDITION

The Company's cash flows from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, are summarized in the following table:

Cash Flow Summary	Nine Months Ended	
In millions	Sep 30, 2013	Sep 30, 2012
Cash provided by (used in):		
Operating activities	$5,590	$2,524
Investing activities	(1,240)	(1,744)
Financing activities	(3,411)	(2,357)
Effect of exchange rate changes on cash	15	18
Net change in cash and cash equivalents	$954	$(1,559)

During the second quarter of 2013, the Company received a cash payment of $2.195 billion related to the K-Dow arbitration. The cash was utilized for debt reduction measures.

In the first nine months of 2013, cash provided by operating activities increased compared with the same period last year primarily due to increased earnings, which were impacted by the K-Dow arbitration award.

In the first nine months of 2013, cash used in investing activities decreased compared with the same period last year primarily due to lower capital expenditures, decreased investments in and loans to nonconsolidated affiliates and increased proceeds from sales of nonconsolidated affiliates.

In the first nine months of 2013, cash used in financing activities increased compared with the same period last year primarily due to payments on long-term debt (including the early extinguishment of $2.35 billion of debt in the first nine months of 2013, compared with the early extinguishment of $1.25 billion of debt in the first nine months of 2012, as discussed below), partially offset by increased proceeds from the issuance of long-term debt and a decline in dividend payments in 2013 (due to an accelerated dividend payment made in the fourth quarter of 2012).

The Company had cash and cash equivalents of $5,272 million at September 30, 2013 and $4,318 million at December 31, 2012, of which $1,862 million at September 30, 2013 and $845 million at December 31, 2012 was held by subsidiaries in foreign countries, including United States territories. For each of its foreign subsidiaries, the Company makes an assertion regarding the amount of earnings intended for permanent reinvestment, with the balance available to be repatriated to the United States. The cash held by foreign subsidiaries for permanent reinvestment is generally used to finance the subsidiaries' operational activities and future foreign investments. A deferred tax liability has been accrued for the funds that are available to be repatriated to the United States. At September 30, 2013, management believed that sufficient liquidity was available in the United States. However, in the unusual event that additional foreign funds are needed in the United States, the Company has the ability to repatriate additional funds. The repatriation could result in an adjustment to the tax liability after considering available foreign tax credits and other tax attributes.

The activities related to the 2012 restructuring plans are expected to result in additional cash expenditures of approximately $250 million primarily through March 31, 2015 related to severance costs, contract cancellation fees and environmental remediation (see Note 3 to the Consolidated Financial Statements). The Company expects to incur additional costs in the future related to its restructuring activities, as the Company continually looks for ways to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and geographic areas. Future costs are expected to include demolition costs related to closed facilities and restructuring plan implementation costs; these costs will be recognized as incurred. The Company also expects to incur additional employee-related costs, including involuntary termination benefits, related to its other optimization activities. These

costs cannot be reasonably estimated at this time.

Management expects that the Company will continue to have sufficient liquidity and financial flexibility to meet all of its business obligations.

Table of Contents

The following table presents working capital and certain balance sheet ratios:

Working Capital In millions	Sep 30, 2013	Dec 31, 2012
Current assets	$25,009	$23,684
Current liabilities	11,993	11,493
Working capital	$13,016	$12,191
Current ratio	2.09 :1	2.06 :1
Days-sales-outstanding-in-receivables	46	46
Days-sales-in-inventory	76	71

Days sales-in-inventory increased in the first nine months of 2013 primarily due to growth initiatives within the Agricultural Sciences operating segment.

As shown in the following table, net debt is equal to total gross debt minus "Cash and cash equivalents." As Dow continues to strengthen its balance sheet and increase financial flexibility, management is principally focused on net debt, as Dow believes this is the best measure of the Company’s financial leverage. At September 30, 2013, net debt as a percent of total capitalization decreased to 34.7 percent primarily due to a $2.195 billion cash payment and pretax gain from K-Dow arbitration proceeding and an approximately $2.4 billion reduction in gross debt, including the early extinguishment of $2.35 billion of debt in the first nine months of 2013.

Total Debt In millions	Sep 30, 2013	Dec 31, 2012
Notes payable	$452	$396
Long-term debt due within one year	680	672
Long-term debt	17,487	19,919
Gross debt	$18,619	$20,987
Cash and cash equivalents	$5,272	$4,318
Net debt	$13,347	$16,669
Gross debt as a percent of total capitalization	42.5 %	48.8 %
Net debt as a percent of total capitalization	34.7 %	43.1 %

As part of its ongoing financing activities, Dow has the ability to issue promissory notes under its U.S. and Euromarket commercial paper programs. The Company had no commercial paper outstanding at September 30, 2013 or December 31, 2012. The Company maintains access to the commercial paper market at competitive rates.

In the event Dow has short-term liquidity needs and is unable to issue commercial paper under these programs for any reason, Dow has the ability to access liquidity through its committed and available credit facilities. The following table summarizes the Company's credit facilities:

Committed and Available Credit Facilities at September 30, 2013

In millions	Effective Date	Committed Credit	Available Credit	Maturity Date	Interest
Five Year Competitive Advance and Revolving Credit Facility ("Revolving Credit Facility")	October 2011	$5,000	$5,000	October 2016	Floating rate
Bilateral Revolving Credit Facility	October 2012	170	170	October 2016	Floating rate
Bilateral Revolving Credit Facility	March 2013	100	100	March 2014	Floating rate
Bilateral Revolving Credit Facility	March 2013	300	300	October 2016	Floating rate

Term Loan Facility	March 2013	300	—	March 2016	Floating rate
Bilateral Revolving Credit Facility	April 2013	200	200	April 2016	Floating rate
Total Committed and Available Credit Facilities		$6,070	$5,770		

On October 14, 2013, the Company entered into an additional $200 million Bilateral Revolving Credit Facility Agreement and, on October 16, 2013, the Company entered into an additional $100 million Bilateral Revolving Credit Facility Agreement (collectively, the "Credit Facilities"). The Credit Facilities have maturity dates in October 2016 and provide for interest at floating rates, as defined in the agreements.

Table of Contents

The Company has access to committed accounts receivable securitization facilities in the United States, Europe and Asia Pacific, from which amounts available for funding are based upon available and eligible accounts receivable within each of the facilities. The United States and Asia Pacific facilities are renewed annually. The European facility is renewed every two years. See Note 9 to the Consolidated Financial Statements for further information.

As a well-known seasoned issuer, the Company filed an automatic shelf registration for an unspecified amount of mixed securities with the SEC on February 19, 2010. Under this shelf registration, the Company may offer common stock, preferred stock, depositary shares, debt securities, warrants, stock purchase contracts and stock purchase units with pricing and availability dependent on market conditions; and, on February 19, 2010, registered an unlimited amount of securities for issuance under the Company's U.S. retail medium-term note program (InterNotes). The shelf registration was renewed on February 19, 2013. A new prospectus supplement for the InterNotes program under this shelf registration was filed on February 19, 2013.

At September 30, 2013, the Company had Euro 5 billion (approximately $6.75 billion) available for issuance under the Company's Euro Medium Term Note Program renewed with the Commission de Surveillance du Secteur Financier, Luxembourg and the Luxembourg Stock Exchange on December 19, 2012, as well as Japanese yen 50 billion (approximately $500 million) of securities available for issuance under a shelf registration renewed with the Kanto Local Finance Bureau of the Ministry of Finance of Japan effective September 8, 2012.

During the third quarter of 2013, the Company redeemed $209 million aggregate principal amount of InterNotes of various interest rates and maturities in 2017, 2018, 2020, 2021 and 2022. As a result of this redemption, the Company realized a $3 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On June 24, 2013, the Company redeemed $1.25 billion aggregate principal amount of 5.9 percent notes due February 15, 2015, at a price of 108.4 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $108 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On June 15, 2013, the Company redeemed $142 million aggregate principal amount of InterNotes of various interest rates and varying maturities in 2017, 2018, 2020, 2021 and 2022. As a result of this redemption, the Company realized a $2 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

On March 25, 2013, the Company redeemed $750 million aggregate principal amount of 7.6 percent notes due May 15, 2014, at a price of 107.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $60 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first nine months of 2013, the Company redeemed $250 million of 5.6 percent notes that matured on March 15, 2013, redeemed $138 million of 6.85 percent notes that matured on August 15, 2013, and redeemed $82 million principal amount of InterNotes at maturity. In the second quarter of 2013, the Company repurchased $200 million of pollution control/industrial revenue tax-exempt bonds of which $126 million is available for re-marketing.

During the first nine months of 2013, the Company issued $286 million aggregate principal amount of InterNotes and approximately $86 million of long-term debt (net of $66 million of repayments) was entered into by consolidated variable interest entities. The Company also drew $300 million on a Committed Term Loan Facility on April 5, 2013.

On March 8, 2012, the Company redeemed $1.25 billion aggregate principal amount of 4.85 percent notes due August 15, 2012, at a price of 101.8 percent of the principal amount of the notes, plus accrued and unpaid interest. As a result of this redemption, the Company realized a $24 million pretax loss on the early extinguishment of debt, included in "Sundry income (expense) - net" in the consolidated statements of income and reflected in Corporate.

During the first nine months of 2012, the Company issued $210 million aggregate principal amount of certain notes and InterNotes and $307 million of long-term debt was entered into by consolidated variable interest entities. The Company also redeemed $37 million of pollution control/industrial revenue bonds that matured on January 1, 2012, repurchased $105 million of pollution control/industrial revenue tax-exempt bonds that are available for re-marketing and redeemed Euro 253 million ($317 million equivalent at June 30, 2012) of notes that matured on September 19, 2012.

Table of Contents

Dow's public debt instruments and primary, private credit agreements contain, among other provisions, certain customary restrictive covenant and default provisions. The Company's most significant debt covenant with regard to its financial position is the obligation to maintain the ratio of the Company's consolidated indebtedness to consolidated capitalization at no greater than 0.65 to 1.00 at any time the aggregate outstanding amount of loans under the Revolving Credit Facility equals or exceeds $500 million. The ratio of the Company's consolidated indebtedness to consolidated capitalization as defined in the Revolving Credit Facility was 0.41 to 1.00 at September 30, 2013. At September 30, 2013, management believes the Company was in compliance with all of its covenants and default provisions.

Credit Ratings

The Company’s credit rating is investment grade. The Company’s long-term credit ratings are BBB with a stable outlook (Standard & Poor’s), Baa2 with a stable outlook (Moody’s) and BBB with a stable outlook (Fitch). The Company's short-term credit ratings are A-2 (Standard & Poor's), P-2 (Moody's) and F2 (Fitch). If the Company's credit ratings are downgraded, borrowing costs will increase on certain indentures, and it could have a negative impact on the Company's ability to access credit markets.

Share Repurchase Program

On February 13, 2013, the Board of Directors approved a share buy-back program, authorizing up to $1.5 billion to be spent on the repurchase of the Company's common stock over a period of time. Purchases under this program began in May 2013. During the second and third quarters of 2013, the Company purchased 3,766,861 shares of common stock at a cost of $134 million. At September 30, 2013, approximately $1.37 billion of the share buy-back program authorization remained available for additional repurchases. For additional information, see Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Capital Expenditures

Capital spending was $566 million in the third quarter of 2013, compared with $622 million in the third quarter of 2012. Year to date, capital spending was $1,418 million in 2013, compared with $1,605 million in 2012. The Company expects capital spending in 2013 to be approximately $2.2 billion.

Contractual Obligations

Information related to the Company’s contractual obligations, commercial commitments and expected cash requirements for interest at December 31, 2012 can be found in Notes 14, 16, 17, 18 and 22 to the Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. With the exception of the items noted below, there have been no material changes in the Company’s contractual obligations since December 31, 2012.

The following table represents long-term debt obligations and expected cash requirements for interest at September 30, 2013, reflecting the redemption of notes and InterNotes, the issuance of new InterNotes and new debt entered into by consolidated variable interest entities during the first nine months of 2013 (see Note 10 to the Consolidated Financial Statements).

Contractual Obligations at September 30, 2013	Payments Due by Year						
In millions	2013	2014	2015	2016	2017	2018 and beyond	Total
Long-term debt – current and noncurrent (1)	$69	$697	$466	$1,367	$1,192	$14,756	$18,547
Expected cash requirements for interest (2)	$386	$970	$949	$925	$904	$8,215	$12,349

(1) Excludes unamortized debt discount of $380 million.

(2) Cash requirements for interest were calculated using current interest rates at September 30, 2013, assuming no refinancing or extensions, and includes interest on approximately $2.2 billion of various floating rate notes.

Contractual Obligations at December 31, 2012	Payments Due by Year						
In millions	2013	2014	2015	2016	2017	2018 and beyond	Total
Long-term debt – current and noncurrent (1)	$672	$1,438	$1,712	$1,043	$1,212	$14,917	$20,994
Expected cash requirements for interest (2)	$1,154	$1,079	$1,000	$942	$921	$8,384	$13,480

(1) Excludes unamortized debt discount of $403 million.

(2) Cash requirements for interest were calculated using interest rates at December 31, 2012, assuming no refinancing or extensions, and includes interest on approximately $1.94 billion of various floating rate notes.

Table of Contents

Off-Balance Sheet Arrangements

The Company holds a variable interest in a joint venture accounted for under the equity method of accounting. The Company is not the primary beneficiary of the joint venture and therefore is not required to consolidate the entity (see Note 11 to the Consolidated Financial Statements). In addition, see Note 9 to the Consolidated Financial Statements for information regarding the transfer of financial assets.

Guarantees arise during the ordinary course of business from relationships with customers and nonconsolidated affiliates when the Company undertakes an obligation to guarantee the performance of others if specific triggering events occur. The Company had outstanding guarantees at September 30, 2013 of $5,530 million, up from $2,181 million at December 31, 2012.

During the first six months of 2013, the Company entered into guarantee agreements (“Guarantees”) related to project financing for Sadara Chemical Company (“Sadara”), a nonconsolidated affiliate. On April 2, 2013, Sadara issued an Islamic bond (“Sukuk”) in the amount of SAR 7.5 billion (approximately $2 billion). On June 16, 2013, Sadara entered into definitive agreements with certain export credit agencies, commercial banks and the Public Investment Fund of the Kingdom of Saudi Arabia for approximately $10.5 billion of project financing (“Additional Project Financing”). The Additional Project Financing closed on June 28, 2013. The total of the Sukuk and Additional Project Financing (collectively "Total Project Financing") obtained by Sadara is approximately $12.5 billion. At September 30, 2013, Sadara had $4.7 billion of Total Project Financing outstanding. The Company's guarantee of the Sukuk and the Additional Project Financing is in proportion to the Company's 35 percent ownership interest in Sadara, or up to approximately $4.4 billion when the project financing is fully drawn. The Guarantees will be released upon completion of construction of the Sadara complex and satisfactory fulfillment of certain other conditions, including passage of an extensive operational testing program, which is currently anticipated for the end of 2017.

Additional information related to guarantees can be found in the “Guarantees” section of Note 8 to the Consolidated Financial Statements.

Fair Value Measurements

The Company’s assets and liabilities measured at fair value are classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation. Assets and liabilities that are traded on an exchange with a quoted price are classified as Level 1. Assets and liabilities are classified as Level 2 if they are valued based on a bid, bid evaluation, or by using observable market data points of similar, more liquid securities to imply the price. The custodians of the Company’s debt and equity securities use multiple industry-recognized vendors for pricing information and established processes for validation and verification to assist the Company in its process for determining and validating fair values for these assets. For the Company's interests held in trade receivable conduits, classified as Level 3, the fair value is determined by calculating the expected amount of cash to be received using the key input of anticipated credit losses in the portfolio of receivables sold that have not yet been collected. Some pension or other postretirement benefit plan assets are held in funds where a net asset value is calculated based on the fair value of the underlying assets and the number of shares owned. The classification of the fund (Level 2 or 3 measurements) is determined based on the lowest level classification of significant holdings within the fund. For pension or other postretirement benefit plan assets classified as Level 3, the total fair value is based on significant unobservable inputs including assumptions where there is little, if any, market activity for the investment. The sensitivity of fair value estimates is immaterial relative to the assets and liabilities measured at fair value, as well as to the total equity of the Company. See Notes 7 and 9 to the Consolidated Financial Statements for the Company’s disclosures about fair value measurements.

Portfolio managers regularly review all of the Company’s holdings to determine if any investments are other-than-temporarily impaired. The analysis includes reviewing the amount of the temporary impairment, as well as the length of time it has been impaired. In addition, specific guidelines for each instrument type are followed to determine if an other-than-temporary impairment has occurred. For debt securities, the credit rating of the issuer,

current credit rating trends and the trends of the issuer's overall sector are considered in determining whether unrealized losses represent an other-than-temporary impairment. For equity securities, the Company's investments are primarily in Standard & Poor's ("S&P") 500 companies; however, the Company also allows investments in companies outside of the S&P 500. The largest holdings are Exchange Traded Funds that represent the S&P 500 index or an S&P 500 sector or subset; the Company also has holdings in Exchange Traded Funds that represent emerging markets. The Company considers the evidence to support the recovery of the cost basis of a security including volatility of the stock, the length of time the security has been in a loss position, value and growth expectations, and overall market and sector fundamentals, as well as technical analysis, in determining impairment.

Dividends

On September 12, 2013, the Board of Directors declared a quarterly dividend of $0.32 per common share, payable October 30, 2013 to stockholders of record on September 30, 2013. Since 1912, the Company has maintained or increased the amount of the quarterly dividend, adjusted for stock splits, with the exception of February 12, 2009. During this 102-year period, Dow has

Table of Contents

increased the amount of the quarterly dividend 49 times (approximately 12 percent of the time), reduced the dividend once in February 2009, and maintained the amount of the quarterly dividend approximately 88 percent of the time.

On September 12, 2013, the Board of Directors declared a quarterly dividend of $85 million to Cumulative Convertible Perpetual Preferred Stock, Series A shareholders of record on September 15, 2013, which was paid on October 1, 2013. Ongoing dividends related to Cumulative Convertible Perpetual Preferred Stock, Series A will accrue at the rate of $85 million per quarter, and are payable quarterly subject to Board of Directors' approval.

OTHER MATTERS

Recent Accounting Guidance

See Note 2 to the Consolidated Financial Statements for a summary of recent accounting guidance.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 10-K") describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. Dow's critical accounting policies that are impacted by judgments, assumptions and estimates are described in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's 2012 10-K. Since December 31, 2012, there have been no material changes in the Company's critical accounting policies.

Asbestos-Related Matters of Union Carbide Corporation

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. These suits principally allege personal injury resulting from exposure to asbestos-containing products and frequently seek both actual and punitive damages. The alleged claims primarily relate to products that Union Carbide sold in the past, alleged exposure to asbestos-containing products located on Union Carbide's premises, and Union Carbide's responsibility for asbestos suits filed against a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"). In many cases, plaintiffs are unable to demonstrate that they have suffered any compensable loss as a result of such exposure, or that injuries incurred in fact resulted from exposure to Union Carbide's products.

It is the opinion of Dow's management that it is reasonably possible that the cost of Union Carbide disposing of its asbestos-related claims, including future defense costs, could have a material impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

The table below provides information regarding asbestos-related claims filed against Union Carbide and Amchem based on criteria developed by Union Carbide and its external consultants.

	2013	2012
Claims unresolved at January 1	33,449	53,225
Claims filed	9,233	6,932
Claims settled, dismissed or otherwise resolved	(8,249)	(25,734)
Claims unresolved at September 30	34,433	34,423
Claimants with claims against both UCC and Amchem	(10,018)	(9,838)
Individual claimants at September 30	24,415	24,585

Plaintiffs' lawyers often sue numerous defendants in individual lawsuits or on behalf of numerous claimants. As a result, the damages alleged are not expressly identified as to Union Carbide, Amchem or any other particular defendant, even when specific damages are alleged with respect to a specific disease or injury. In fact, there are no personal injury cases in which only Union Carbide and/or Amchem are the sole named defendants. For these reasons and based upon Union Carbide's litigation and settlement experience, Union Carbide does not consider the damages alleged against Union Carbide and Amchem to be a meaningful factor in its determination of any potential asbestos-related liability.

For additional information, see Asbestos-Related Matters of Union Carbide Corporation in Note 8 to the Consolidated Financial Statements and Part II, Item 1. Legal Proceedings.

Table of Contents

K-Dow Arbitration

In February 2009, the Company initiated arbitration proceedings against Petrochemical Industries Company (K.S.C.) ("PIC") alleging that PIC breached the Joint Venture Formation Agreement related to the establishment of K-Dow, a proposed 50:50 global petrochemicals joint venture with PIC, by failing to close the transaction. In May 2012, the International Court of Arbitration of the International Chamber of Commerce ("ICC") awarded the Company $2.161 billion in damages ("Partial Award"), not including pre- and post-award interest and arbitration costs. On March 4, 2013, the ICC released the Final Award in the arbitration case covering the Company's claim for pre- and post-award interest and arbitration costs and awarded the Company $318 million, as of February 28, 2013. On May 6, 2013, the Company and PIC entered into a Deed providing for payment of the Company's claims against PIC under the K-Dow arbitration. On May 7, 2013, the Company confirmed the receipt of a $2.195 billion cash payment from PIC, which included the Partial Award of $2.161 billion as well as recovery of Dow's costs incurred in the arbitration, including legal fees. In addition, Kuwait Petroleum Corporation provided assurances that no retaliatory or punitive actions would be taken against the Company and its affiliates as a result of the Deed and payment. The K-Dow arbitration is considered final and settled in full.

For additional information, see K-Dow Arbitration in Note 8 to the Consolidated Financial Statements.

Table of Contents

The Dow Chemical Company and Subsidiaries
PART I – FINANCIAL INFORMATION, Item 3. Quantitative and Qualitative Disclosures About Market Risk

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Dow's business operations give rise to market risk exposure due to changes in foreign exchange rates, interest rates, commodity prices and other market factors such as equity prices. To manage such risks effectively, the Company enters into hedging transactions, pursuant to established guidelines and policies, which enable it to mitigate the adverse effects of financial market risk. Derivatives used for this purpose are designated as hedges per the accounting guidance related to derivatives and hedging activities, where appropriate. A secondary objective is to add value by creating additional non-specific exposure within established limits and policies; derivatives used for this purpose are not designated as hedges. The potential impact of creating such additional exposures is not material to the Company's results.

The global nature of Dow's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global basis, the Company has assets, liabilities and cash flows in currencies other than the U.S. dollar. The primary objective of the Company's foreign exchange risk management is to optimize the U.S. dollar value of net assets and cash flows, keeping the adverse impact of currency movements to a minimum. To achieve this objective, the Company hedges on a net exposure basis using foreign currency forward contracts, over-the-counter option contracts, cross-currency swaps, and non-derivative instruments in foreign currencies. Exposures primarily relate to assets, liabilities and bonds denominated in foreign currencies, as well as economic exposure, which is derived from the risk that currency fluctuations could affect the dollar value of future cash flows related to operating activities. The largest exposures are denominated in European currencies, the Japanese yen and the Canadian dollar, although exposures also exist in other currencies of Asia Pacific, Latin America, and India, Middle East and Africa.

The main objective of interest rate risk management is to reduce the total funding cost to the Company and to alter the interest rate exposure to the desired risk profile. Dow uses interest rate swaps, "swaptions," and exchange-traded instruments to accomplish this objective. The Company's primary exposure is to the U.S. dollar yield curve.

Dow has a portfolio of equity securities derived primarily from the investment activities of its insurance subsidiaries. This exposure is managed in a manner consistent with the Company's market risk policies and procedures.

Inherent in Dow's business is exposure to price changes for several commodities. Some exposures can be hedged effectively through liquid tradable financial instruments. Feedstocks for ethylene production and natural gas constitute the main commodity exposures. Over-the-counter and exchange traded instruments are used to hedge these risks when feasible.

Dow uses value at risk ("VAR"), stress testing and scenario analysis for risk measurement and control purposes. VAR estimates the maximum potential loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels. The VAR methodology used by the Company is a historical simulation model which captures co-movements in market rates across different instruments and market risk exposure categories. The historical simulation model uses a 97.5 percent confidence level and the historical scenario period includes at least six months of historical data. The September 30, 2013, 2012 year-end and 2012 average daily VAR for the aggregate of all positions are shown below. These amounts are immaterial relative to the total equity of the Company:

Total Daily VAR by Exposure Type		2012	
In millions	At Sep 30, 2013	Year-end	Average

Interest rate	$162	$159	$166
Equities	$13	$12	$14
Commodities	$6	$7	$8
Foreign exchange	$3	$1	$2
Composite	$165	$159	$176

The Company's daily VAR for the aggregate of all positions increased from a composite VAR of $159 million at December 31, 2012 to a composite VAR of $165 million at September 30, 2013. The increase in interest rate VAR is largely driven by an increase in interest rate volatility. The equities VAR increased due to the appreciation in global equity prices resulting in an increase in equity exposure. The commodities VAR decreased slightly due to a decline of commodity volatility. The foreign exchange VAR increased due to increases in volatility. See Note 6 to the Consolidated Financial Statements for further disclosure regarding market risk.

Table of Contents

The Dow Chemical Company and Subsidiaries
PART I – FINANCIAL INFORMATION, Item 4. Controls and Procedures

CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to paragraph (b) of Exchange Act Rules 13a-15 or 15d-15. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that was conducted during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

The Dow Chemical Company and Subsidiaries
PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Asbestos-Related Matters of Union Carbide Corporation

No material developments regarding this matter occurred during the third quarter of 2013. For a summary of the history and current status of this matter, see Note 8 to the Consolidated Financial Statements; and Management's Discussion and Analysis of Financial Condition and Results of Operations, Asbestos-Related Matters of Union Carbide Corporation.

Environmental Matters

Dow Benelux B.V., a Netherlands-based wholly owned subsidiary of the Company, received a summons dated July 20, 2012 from the Public Prosecutor in The Netherlands to appear before the criminal section of the District Court in Breda, The Netherlands (the "Court") on January 23, 2013. The allegations contained in the summons relate to seven process safety incidents and environmental spills that occurred between 2005 and 2008 at Dow Benelux B.V.'s Terneuzen manufacturing facility. The Public Prosecutor alleges that each of the incidents constitutes a violation of certain Netherlands safety procedures and environmental regulations, notably Section 5 of the Major Accidents Decree 1999 and/or Section 18.18 of the Environmental Act. In addition, five of the incidents allegedly also constitute a violation of Section 173a of the Dutch Criminal Code. If convicted, Dow Benelux B.V. may face sanctions including fines in excess of $100,000 for some of the violations. At a pre-trial hearing on August 21, 2013, the Court indicated that the trial will start on January 14, 2014. The Court also indicated that the venue will change from the District Court in Breda to the District Court in Middelburg.

Derivative Litigation

On March 6, 2013, Jeffrey Kaufman, purportedly in the name of and on behalf of the Company ("Kaufman"), commenced an action in the United States District Court for the District of Delaware against the Company and certain officers and directors of the Company ("Defendants") alleging, among other things, that between 2007-2012, Defendants violated federal securities and state law surrounding equity awards and disclosures involving the 1988 Award and Option Plan and the 2012 Stock Incentive Plan (the "Plans") with respect to the tax-deductible nature of certain awards under the Plans. The relief sought in this litigation includes the recovery of certain equity awards and injunctive relief, as well as monetary damages and attorneys' fees. The Company first moved to dismiss the complaint on May 14, 2013. In response to the subsequent filing by Kaufman of an amended complaint, the Company filed an amended motion to dismiss on August 30, 2013, and that motion remains pending. The Company believes the lawsuit to be without merit.

ITEM 1A. RISK FACTORS

The following risk factor was added in the third quarter of 2013.

Cyber Vulnerability: The risk of loss of the Company's intellectual property, trade secrets or other sensitive business information or disruption of operations could negatively impact the Company's financial results.

Cyber attacks or security breaches could compromise confidential, business critical information or cause a disruption in the Company's operations. The Company has attractive information assets, including intellectual property, trade secrets and other sensitive, business critical information. While the Company has a comprehensive cyber security program that is continuously reviewed, maintained and upgraded, a significant cyber attack could result in the loss of critical business information and/or could negatively impact operations, which could have a negative impact on the Company's financial results.

65

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding purchases of the Company’s common stock by the Company during the three months ended September 30, 2013:

Issuer Purchases of Equity Securities				
Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of the Company's publicly announced share repurchase program (1)	Approximate dollar value of shares that may yet be purchased under the Company's publicly announced share repurchase program (1)
July 2013	104,584	$32.01	104,584	$1,416,652,394
August 2013	596,820	$36.82	596,820	$1,394,678,169
September 2013	735,557	$39.24	735,557	$1,365,816,233
Third quarter 2013	1,436,961	$37.71	1,436,961	$1,365,816,233

(1) On February 13, 2013, the Company announced the Board of Directors had approved a share buy-back program, authorizing up to $1.5 billion to be spent on the repurchase of the Company’s common stock. Purchases under this program began in May 2013.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 6. EXHIBITS

See the Exhibit Index of this Quarterly Report on Form 10-Q for exhibits filed with this report.

Table of Contents

The Dow Chemical Company and Subsidiaries
Trademark Listing

The following trademark of The Dow Chemical Company and certain affiliated companies of Dow appear in this report: AFFINITY, DOW, ELITE, NORDEL

The following trademark of Monsanto Technology LLC appears in this report: SmartStax. SmartStax multi-event technology was developed by Dow AgroSciences LLC and Monsanto

Table of Contents

The Dow Chemical Company and Subsidiaries
Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE DOW CHEMICAL COMPANY
Registrant
Date: October 29, 2013

/s/ RONALD C. EDMONDS
Ronald C. Edmonds
Vice President and Controller

Table of Contents

The Dow Chemical Company and Subsidiaries
Exhibit Index

EXHIBIT NO.	DESCRIPTION
12.1	Computation of Ratio of Earnings to Fixed Charges.
23	Analysis, Research & Planning Corporation's Consent.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.