



2030 Dow Center
April 17, 2006

The Dow Chemical Company
Midland, Michigan 48674
USA

U.S. Nuclear Regulatory Commission
Officer of Nuclear Material Safety and Safeguards
Washington, D.C. 20555

Attn: Director

Pursuant to guaranty requirements, enclosed are:

Annual Report for the year ended December 31, 2005

Report on Form 10-K for the year ended December 31, 2005

Regards,

Sheila Link

Sheila Link
Corporate Treasury

Enclosures



January 26, 2006

Dow Reports Record Sales and Record Earnings *Outstanding Year Ends with Strongest Ever Fourth Quarter*

Fourth Quarter of 2005 Highlights

- Sales for the fourth quarter set a new Company record, rising 9 percent from the same period last year to \$11.9 billion.
- Earnings per share were \$1.12, up from \$1.06 per share a year ago. These amounts include unusual items in both periods which had net favorable impacts of \$0.10 per share in the current quarter and \$0.21 per share in 2004. Excluding unusual items in both periods, earnings per share for the fourth quarter increased 20 percent from \$0.85 per share in 2004 to \$1.02 per share in 2005.
- Strong cash flow allowed a further reduction in net debt⁽¹⁾ of more than \$800 million during the fourth quarter of 2005, lowering the Company's net debt to capital ratio to 29 percent – down from 41 percent at the end of the same period in 2004.

2005 Highlights

- 2005 sales climbed 15 percent compared with 2004, setting a new record for the Company of \$46.3 billion.
- Despite feedstock and energy cost increases of \$4 billion in 2005 compared with 2004, Dow achieved record earnings of \$4.62 per share, up from \$2.93 per share a year earlier. These amounts include unusual items in both periods which had net favorable impacts of \$0.25 per share in 2005 and \$0.22 per share in 2004. Excluding unusual items, earnings per share were \$4.37 in 2005, 61 percent higher than \$2.71 per share in 2004.

Comment

Andrew N. Liveris, Dow's president, chief executive officer and chairman-elect, stated:

"This was a tremendous quarter at the end of an outstanding year for Dow. In 2005, we realized record sales; we achieved record earnings; we reduced net debt by more than \$2.5 billion; and for the third year in a row, with institutionalized financial discipline and operational excellence, we recovered lost margin. The fact that we did so in the face of high and volatile feedstock and energy costs bears testimony to the quality of our people and the strength and consistency of our strategy."

⁽¹⁾ Net debt equals total debt ("Notes payable" plus "Long-term debt due within one year" plus "Long-Term Debt") minus "Cash and cash equivalents" and "Marketable securities and interest-bearing deposits."

<i>(In millions, except for per share amounts)</i>	3 Months Ended December 31		12 Months Ended December 31	
	2005	2004	2005	2004
Net Sales	\$ 11,917	\$ 10,936	\$ 46,307	\$ 40,161
Net Income	\$ 1,096	\$ 1,026	\$ 4,515	\$ 2,797
Earnings per Common Share	\$ 1.12	\$ 1.06	\$ 4.62	\$ 2.93

Review of Fourth Quarter Results

The Dow Chemical Company (NYSE: DOW) reported record sales of \$11.9 billion for the fourth quarter of 2005, a 9 percent increase compared with the same period in 2004. Price rose 10 percent, with strong gains in all operating segments, except for Agricultural Sciences, and in most geographic areas. Volume fell marginally against a very strong fourth quarter in 2004 due in part to the lingering effects of hurricanes Rita and Katrina in the United States.

Net income for the quarter climbed 7 percent to \$1,096 million and earnings per share were \$1.12, up from \$1.06 in the same period last year. Excluding unusual items in both periods, earnings per share for the fourth quarter increased 20 percent from \$0.85 per share in 2004 to \$1.02 per share in 2005.

Net income for the fourth quarter included a net after-tax gain of \$103 million, or \$0.10 per share. This comprised a pretax gain of \$637 million on the sale by Union Carbide Corporation of its 50 percent interest in UOP LLC, pretax charges of \$114 million for restructuring activities related to plant closures and asset sales, a \$100 million cash donation to The Dow Chemical Company Foundation, the impact of an unfavorable tax ruling of \$137 million, and an after-tax accrual of \$20 million for asset retirement obligations required under FIN 47. Earnings in the fourth quarter of 2004 included tax valuation adjustments and an after-tax gain from the sale of the DERA KANE resins business, totaling \$0.21 per share.

Once again in the fourth quarter, the Company maintained a sharp focus on financial discipline. Net debt was reduced by more than \$800 million during the quarter, cutting Dow's net debt to capital ratio to just 29 percent by year-end, 12 percentage points lower than at the end of 2004. The Company's gross debt to total capital ratio finished the year at 39 percent, down from 48 percent a year ago. Capital spending was held below \$1.6 billion, significantly less than the rate of depreciation, without compromising the safety or the integrity of the Company's manufacturing facilities. And Selling, Administrative and Research and Development ("SARD") expenses as a percent of sales dropped to 5.7 percent for the fourth quarter, down from 5.9 percent in the same period in 2004.

"This was a tremendous quarter at the end of an outstanding year for Dow," said Andrew N. Liveris, Dow's president, chief executive officer and chairman-elect. "In 2005, we realized record sales; we achieved record earnings; we reduced net debt by more than \$2.5 billion; and for the third year in a row, with institutionalized financial discipline and operational excellence, we recovered lost margin. The fact that we did so in the face of high and volatile feedstock and energy costs bears testimony to the quality of our people and the strength and consistency of our strategy."

“Our commitment to maintaining a diversified business portfolio allowed our Performance businesses to report exceptional earnings growth compared with 2004, outpacing strong gains in our Basics businesses and accounting for more than 50 percent of Dow’s profits in 2005. Financial discipline also played a strong part in a successful 2005, helping reduce our net debt to capital ratio to below 30 percent and cutting SARD to a new low of 5.7 percent of sales for the year, down from 6.1 percent in 2004. And our drive to grow the Company through strategic joint ventures contributed substantially to Dow’s financial performance in 2005, with our nonconsolidated affiliates adding almost a billion dollars in earnings during the year.”

In the Performance Plastics segment, sales for the fourth quarter were \$2.9 billion, an increase of 12 percent compared with the same period in 2004. Price was up 10 percent while volume climbed 2 percent, bolstered in part by the successful integration of ENGAGETM, NORDELTM and TYRINTM elastomers, businesses acquired by the Company in connection with the dissolution of the DuPont Dow Elastomers joint venture. Dow Automotive had an excellent quarter, increasing price and volume globally and underscoring the value of the Company’s geographic balance, as strength in Latin America and Asia Pacific more than offset dampened demand in North America and Europe. Epoxy Products and Intermediates also had a healthy quarter, particularly in Asia Pacific where demand for electrical laminates in flat panel television displays mitigated softer volumes in other geographic areas. And Building and Construction reported solid sales growth, capturing an increased share of U.S. demand for insulation and weather barrier products. Fourth quarter EBIT⁽²⁾ for the Performance Plastics segment was \$973 million, including a gain of \$637 million related to the UOP sale, partly offset by restructuring charges totaling \$28 million. Excluding this net gain and the gain on the sale of the DERA KANE resins business in 2004, EBIT was \$364 million, an increase of 39 percent compared with \$261 million in the same quarter last year.

Sales in Performance Chemicals rose to \$1.9 billion for the fourth quarter of 2005, an increase of 7 percent compared with \$1.8 billion posted in the same period last year. This improvement was driven by an 8 percent increase in price, while volume was down 1 percent from the robust levels of a year ago. Dow Latex had a strong quarter with Emulsion Polymers reporting good volume growth, driven by healthy demand from the coated paper industry in Europe and the successful start-up of the Company’s second styrene-butadiene latex line at Zhangjiagang, China. Specialty Polymers reported an increase in volume compared with the fourth quarter of 2004, with particular strength in pharmaceuticals, personal care and water treatment applications. During the quarter the business also began production at its expanded FILMTECTM membrane manufacturing facility in Minneapolis, U.S.A., to meet growing demand from the water treatment industry. Performance Chemicals reported EBIT of \$177 million for the fourth quarter, which included restructuring charges totaling \$14 million. Excluding these charges, EBIT was \$191 million, an increase of 4 percent compared with \$183 million in the same period last year.

⁽²⁾ Earnings before interest, income taxes and minority interests (“EBIT”). A reconciliation of EBIT to “Net Income Available for Common Stockholders” is provided following the Operating Segments and Geographic Areas table.

The Agricultural Sciences segment posted quarterly sales of \$729 million, 4 percent lower than the \$758 million achieved in the fourth quarter of 2004. Plant Genetics and Biotechnology benefited from a marked improvement in the North American seeds and traits business, led by strong demand for HERCULEXTM I insect protection and NEXERATM seed for NATREONTM canola oil. In Agricultural Chemicals, although sales benefited from solid demand for cereal herbicide mixtures and for a renewed product line of herbicides for range and pasture, overall volume was down as the business exited a number of low margin products in its on-going effort to focus resources on more profitable proprietary molecules. Fourth quarter EBIT for Agricultural Sciences was \$74 million, which included restructuring charges totaling \$9 million. Excluding these charges, EBIT was \$83 million, double the \$41 million reported in the same period a year ago.

The Plastics segment had a solid fourth quarter, with sales climbing 9 percent from \$2.9 billion in 2004 to \$3.1 billion in 2005. Price increased 10 percent compared with the same period last year, while volume was marginally lower. Polyethylene volume was down from a very strong fourth quarter in 2004, principally the result of constrained ethylene supply on the U.S. Gulf Coast caused by the hurricanes. Polyethylene volume in all other regions continued to be solid, with particular strength in Asia Pacific. The Polystyrene business reported a healthy increase in volume compared with the same period last year, with solid demand in Asia Pacific and in Europe. Polystyrene continued to recover margin as increased volume and lower benzene costs more than offset lower prices. Fourth quarter EBIT for the Plastics segment of \$610 million included restructuring charges totaling \$12 million. Excluding these charges, EBIT for the quarter was \$622 million, 5 percent higher than the \$591 million posted for the same period in 2004.

Fourth quarter sales in the Chemicals segment increased slightly in 2005 compared with a year ago, rising 4 percent to \$1.5 billion. Price was up 13 percent, while volume was down 9 percent. Much of this reduction was attributed to the Ethylene Glycol business, which reported a significant reduction in U.S. sales due to the limited availability of ethylene caused by the hurricanes. In addition, revenues in the fourth quarter of 2004 included sales of ethylene glycol sold by Dow into Asia Pacific; these sales now flow through the MEGlobal joint venture. The Chlor-Vinyl business reported a significant increase in price compared with the same period last year, essentially covering escalating natural gas prices in the United States. Chlor-Vinyl volume was down slightly, with increased demand in Europe and Latin America not quite offsetting lower volumes in North America and Asia Pacific. The Chemicals segment reported EBIT for the fourth quarter of \$269 million, including a \$3 million restructuring charge. Excluding this charge, EBIT of \$272 million was 34 percent lower than \$411 million for the same period a year ago.

Review of Results for 2005

Dow reported a new annual sales record of \$46.3 billion in 2005, 15 percent higher than last year's previous record of \$40.2 billion. Price rose 17 percent, with substantial increases in all operating segments and all geographic areas. Volume declined 2 percent from last year's strong levels, in large part because customers reduced the inventories that they had built during 2004, but also due to the disruption caused by two major hurricanes, which temporarily reduced demand in the United States.

Net income was \$4.5 billion, an increase of 61 percent compared with \$2.8 billion in 2004. Earnings per share were \$4.62, including gains related to the sale of UOP, the sale of a 2.5 percent interest in the EQUATE joint venture and a tax benefit associated with the repatriation of foreign earnings under the American Jobs Creation Act of 2004, partially offset by various restructuring charges, a cash donation to The Dow Chemical Company Foundation, a loss on the early retirement of debt, the impact of an unfavorable tax ruling and an accrual for asset retirement obligations required under FIN 47. In 2004, the Company reported earnings per share of \$2.93, including tax valuation adjustments, the gain from the sale of the DERAKANE resins business and the net favorable impact of restructuring. Excluding unusual items in both periods, earnings per share were \$4.37 in 2005, an increase of 61 percent compared with \$2.71 in 2004.

Commenting on the Company's outlook, Liveris said: "Our outlook for 2006 is positive, both for the chemical industry and for our company, despite the uncertainty and volatility in feedstock and energy costs. We expect that worldwide demand for chemical and plastic products will continue to grow, led by Asia Pacific, Latin America and other emerging geographies, with solid contributions from North America and Europe. We will continue to focus on the implementation of our strategy, retaining our financial discipline and controlling the things we can control. As we have been saying for some time, we believe that 2006 will be an even better year for Dow than 2005."

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About Dow

Dow is a diversified chemical company that harnesses the power of science and technology to improve living daily. The Company offers a broad range of innovative products and services to customers in more than 175 countries, helping them to provide everything from fresh water, food and pharmaceuticals to paints, packaging and personal care products. Built on a commitment to its principles of sustainability, Dow has annual sales of \$46 billion and employs 42,000 people worldwide. References to "Dow" or the "Company" mean The Dow Chemical Company and its consolidated subsidiaries unless otherwise expressly noted. More information about Dow can be found at www.dow.com.

Note: The forward-looking statements contained in this document involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors as discussed in filings with the Securities and Exchange Commission. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

Supplemental information

Description of Certain Items Affecting Results:

Fourth Quarter of 2005 and 2004

Earnings in the fourth quarter of 2005 were favorably impacted by a pretax gain of \$637 million on the sale of Union Carbide Corporation's indirect 50 percent interest in UOP LLC, reflected in Sundry income - net and in Performance Plastics. This gain was partially offset by pretax charges totaling \$114 million for restructuring activities related to several small plant closures and asset sales (\$28 million in Performance Plastics, \$14 million in Performance Chemicals, \$9 million in Agricultural Sciences, \$12 million in Plastics, \$3 million in Chemicals and \$48 million in Unallocated and Other). Earnings in the quarter were further reduced by: a cash donation of \$100 million to The Dow Chemical Company Foundation for education and community development, reflected in Sundry income - net and in Unallocated and Other; a charge to the provision for income taxes of \$137 million related to an unfavorable tax ruling on corporate owned life insurance; and an after-tax charge of \$20 million related to the adoption of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations."

In the fourth quarter of 2004, earnings were favorably impacted by a pretax gain of \$90 million on the sale of the DERA KANE business, reflected in the Performance Plastics segment. The Company also recorded tax benefits of \$146 million related to the reversal of tax valuation allowances and the impact of a decrease in the tax rate on deferred tax liabilities.

	Pretax Impact (1)		Impact on Net Income (2)		Impact on EPS (3)	
	<i>Three Months Ended</i>		<i>Three Months Ended</i>		<i>Three Months Ended</i>	
	<i>Dec. 31, 2005</i>	<i>Dec. 31, 2004</i>	<i>Dec. 31, 2005</i>	<i>Dec. 31, 2004</i>	<i>Dec. 31, 2005</i>	<i>Dec. 31, 2004</i>
<i>In millions, except per share amounts</i>						
Gain on sale of UOP LLC	\$ 637	-	\$ 402	-	\$ 0.41	-
Cash donation for aid to education and community development	(100)	-	(65)	-	(0.07)	-
4Q05 Restructuring activities	(114)	-	(77)	-	(0.08)	-
Gain on sale of DERA KANE business	-	\$ 90	-	\$ 57	-	\$ 0.06
Unfavorable tax ruling	-	-	(137)	-	(0.14)	-
Reversal of tax valuation allowances and impact of change in tax rate on deferred tax liabilities	-	-	-	146	-	0.15
Cumulative effect of change in accounting principle	-	-	(20)	-	(0.02)	-
Total	\$ 423	\$ 90	\$ 103	\$ 203	\$ 0.10	\$ 0.21

(1) Impact on "Income before Income Taxes and Minority Interests"

(2) Impact on "Net Income Available for Common Stockholders"

(3) Impact on "Earnings per common share - diluted"

Full Year 2005 and 2004

In addition to the impacts described above for the fourth quarter of 2005, earnings for 2005 were favorably impacted by a pretax gain of \$70 million related to the sale of a 2.5 percent interest in the EQUATE joint venture. Of this gain, \$29 million was reflected in the Plastics segment and \$41 million was reflected in the Chemicals segment. Earnings for 2005 were also favorably impacted by an after-tax benefit of \$113 million related to the repatriation of foreign earnings in 2005 under the American Jobs Creation Act of 2004 ("AJCA"), reflected in "Provision for income taxes." The gain was partially offset by a pretax charge of \$31 million associated with the Company's early redemption of debt, reflected in Unallocated and Other.

In addition to the gains described above for the fourth quarter of 2004, earnings for 2004 were favorably impacted by a net pretax gain from restructuring of \$20 million. This included gains totaling \$563 million from asset divestitures associated with the formation of two new joint ventures, offset by asset impairments of \$99 million related to the sale or shutdown of facilities; the recognition of a liability of \$148 million associated with a loan guarantee for Cargill Dow LLC, a former 50:50 joint venture; and employee-related restructuring charges of \$296 million.

	Pretax Impact (1)		Impact on Net Income (2)		Impact on EPS (3)	
	Twelve Months Ended		Twelve Months Ended		Twelve Months Ended	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
In millions, except per share amounts						
Gain on sale of EQUATE shares	\$ 70	-	\$ 46	-	\$ 0.05	-
Loss on early extinguishment of debt	(31)	-	(20)	-	(0.02)	-
Gain on sale of UOP LLC	637	-	402	-	0.41	-
Cash donation for aid to education and community development	(100)	-	(65)	-	(0.07)	-
4Q05 Restructuring activities	(114)	-	(77)	-	(0.08)	-
2004 Restructuring activities:						
Employee-related restructuring charges	-	\$ (296)	-	\$ (200)	-	\$ (0.21)
Gains on divestitures of assets related to formation of MEGlobal and Equipolymers joint ventures	-	563	-	379	-	0.40
Asset impairments	-	(99)	-	(69)	-	(0.08)
Recognition of liability related to Cargill Dow loan guarantee	-	(148)	-	(93)	-	(0.10)
Gain on sale of DERAKANE business	-	90	-	57	-	0.06
AJCA repatriation of foreign earnings	-	-	113	-	0.12	-
Unfavorable tax ruling	-	-	(137)	-	(0.14)	-
Reversal of tax valuation allowances and impact of change in tax rate on deferred tax liabilities	-	-	-	146	-	0.15
Cumulative effect of change in accounting principle	-	-	(20)	-	(0.02)	-
Total	\$ 462	\$ 110	\$ 242	\$ 220	\$ 0.25	\$ 0.22

(1) Impact on "Income before Income Taxes and Minority Interests"

(2) Impact on "Net Income Available for Common Stockholders"

(3) Impact on "Earnings per common share – diluted"

Financial Statements (Note A)

The Dow Chemical Company and Subsidiaries Consolidated Statements of Income

In millions, except per share amounts (Unaudited)	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Net Sales	\$ 11,917	\$ 10,936	\$ 46,307	\$ 40,161
Cost of sales	10,029	9,295	38,276	34,244
Research and development expenses	283	261	1,073	1,022
Selling, general and administrative expenses	392	385	1,545	1,436
Amortization of intangibles	15	17	55	81
Restructuring activities - net charge (gain) (Note B)	114	-	114	(20)
Equity in earnings of nonconsolidated affiliates	225	297	964	923
Sundry income - net (Note C)	577	116	755	136
Interest income	40	28	138	86
Interest expense and amortization of debt discount	159	186	702	747
Income before Income Taxes and Minority Interests	1,767	1,233	6,399	3,796
Provision for income taxes (Note D)	629	175	1,782	877
Minority interests' share in income	22	32	82	122
Income before Cumulative Effect of Change in Accounting Principle	1,116	1,026	4,535	2,797
Cumulative effect of change in accounting principle (Note E)	(20)	-	(20)	-
Net Income Available for Common Stockholders	\$ 1,096	\$ 1,026	\$ 4,515	\$ 2,797
Share Data				
Earnings before cumulative effect of change in accounting principle per common share - basic	\$ 1.15	\$ 1.08	\$ 4.71	\$ 2.98
Earnings per common share - basic	\$ 1.13	\$ 1.08	\$ 4.69	\$ 2.98
Earnings before cumulative effect of change in accounting principle per common share - diluted	\$ 1.14	\$ 1.06	\$ 4.64	\$ 2.93
Earnings per common share - diluted	\$ 1.12	\$ 1.06	\$ 4.62	\$ 2.93
Common stock dividends declared per share of common stock	\$ 0.335	\$ 0.335	\$ 1.34	\$ 1.34
Weighted-average common shares outstanding - basic	966.4	949.3	963.2	940.1
Weighted-average common shares outstanding - diluted	981.3	964.3	976.8	953.8
Depreciation	\$ 526	\$ 469	\$ 1,904	\$ 1,904
Capital Expenditures	\$ 547	\$ 482	\$ 1,597	\$ 1,333

Notes to the Consolidated Financial Statements:

Note A: The unaudited consolidated financial statements reflect all adjustments which, in the opinion of management, are considered necessary for a fair presentation of the results for the periods covered. 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, 2004. Except as otherwise indicated by the context, the terms "Company" and "Dow" as used herein mean The Dow Chemical Company and its consolidated subsidiaries.

Note B: In the fourth quarter of 2005, the Company recorded charges totaling \$114 million related to restructuring activities, including costs related to plant closures of \$67 million, losses of \$12 million on asset sales, the write-off of an intangible asset of \$10 million and employee-related expenses of \$25 million.

In the second quarter of 2004, the Company recorded a net pretax gain of \$20 million related to restructuring activities. The net gain included gains totaling \$563 million related to the divestitures of assets in conjunction with the formation of two new joint ventures, MEGlobal and Equipolymers; asset impairments of \$99 million related to the future sale or shutdown of facilities; the recognition of a liability of \$148 million associated with a loan guarantee for Cargill Dow LLC, a former 50:50 joint venture; and employee-related restructuring charges of \$296 million.

Note C: On November 30, 2005, Union Carbide Corporation completed the sale of its indirect 50 percent interest in UOP LLC to Honeywell Specialty Materials LLC. The sale resulted in proceeds of \$867 million and a pretax gain of \$637 million.

In December 2005, the Company made a cash donation of \$100 million to The Dow Chemical Company Foundation for aid to education and community development.

In November 2004, Union Carbide Corporation sold a 2.5 percent interest in EQUATE to National Bank of Kuwait for \$104 million. In March 2005, the resale of these shares to private Kuwaiti investors was completed, reducing Union Carbide's ownership interest from 45 percent to 42.5 percent and resulting in a pretax gain of \$70 million in the first quarter of 2005.

Note D: In the second quarter of 2005, the Company finalized its plan for the repatriation of foreign earnings subject to the requirements of the American Jobs Creation Act of 2004, resulting in a credit to the provision for income taxes of \$113 million.

On January 23, 2006, the Company received an unfavorable tax ruling from the United States Court of Appeals for the Sixth Circuit reversing a prior decision by the United States District Court relative to corporate owned life insurance, resulting in a charge to the provision for income taxes of \$137 million in the fourth quarter of 2005.

In the fourth quarter of 2004, the Company's provision for income taxes was reduced by tax benefits of \$146 million related to the revised estimate of the future utilization of operating loss carryforwards in certain foreign jurisdictions and the impact of a legislated decrease in the tax rate in The Netherlands on deferred tax liabilities.

Note E: On December 31, 2005, the Company adopted FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations." The cumulative effect of adoption was a charge of \$20 million (net of tax of \$12 million).

The Dow Chemical Company and Subsidiaries

Consolidated Balance Sheets

In millions (Unaudited)	Dec. 31, 2005	Dec. 31, 2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,806	\$ 3,108
Marketable securities and interest-bearing deposits	32	84
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2005: \$169; 2004: \$136)	5,124	4,753
Other	2,802	2,604
Inventories	5,319	4,957
Deferred income tax assets - current	321	384
Total current assets	17,404	15,890
Investments		
Investment in nonconsolidated affiliates	2,285	2,698
Other investments	2,156	2,141
Noncurrent receivables	274	189
Total investments	4,715	5,028
Property		
Property	41,934	41,898
Less accumulated depreciation	28,397	28,070
Net property	13,537	13,828
Other Assets		
Goodwill	3,140	3,152
Other intangible assets (net of accumulated amortization - 2005: \$552; 2004: \$507)	443	535
Deferred income tax assets - noncurrent	3,658	4,369
Asbestos-related insurance receivables - noncurrent	818	1,028
Deferred charges and other assets	2,219	2,055
Total other assets	10,278	11,139
Total Assets	\$ 45,934	\$ 45,885
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	\$ 241	\$ 104
Long-term debt due within one year	1,279	861
Accounts payable:		
Trade	3,931	3,701
Other	1,829	2,194
Income taxes payable	493	419
Deferred income tax liabilities - current	201	205
Dividends payable	347	342
Accrued and other current liabilities	2,342	2,680
Total current liabilities	10,663	10,506
Long-Term Debt	9,186	11,629
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	1,395	1,301
Pension and other postretirement benefits - noncurrent	3,308	3,979
Asbestos-related liabilities - noncurrent	1,384	1,549
Other noncurrent obligations	3,338	3,202
Total other noncurrent liabilities	9,425	10,031
Minority Interest in Subsidiaries	336	449
Preferred Securities of Subsidiaries	1,000	1,000
Stockholders' Equity		
Common stock	2,453	2,453
Additional paid-in capital	661	274
Unearned ESOP shares	(1)	(12)
Retained earnings	14,719	11,527
Accumulated other comprehensive loss	(1,949)	(977)
Treasury stock at cost	(559)	(995)
Net stockholders' equity	15,324	12,270
Total Liabilities and Stockholders' Equity	\$ 45,934	\$ 45,885

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Operating Segments and Geographic Areas

In millions (Unaudited)	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Operating segment sales				
Performance Plastics	\$ 2,921	\$ 2,618	\$ 11,388	\$ 9,493
Performance Chemicals	1,897	1,773	7,713	6,667
Agricultural Sciences	729	758	3,364	3,368
Plastics	3,133	2,874	11,815	10,041
Chemicals	1,534	1,468	5,660	5,454
Hydrocarbons and Energy	1,618	1,396	6,061	4,876
Unallocated and Other	85	49	306	262
Total	\$ 11,917	\$ 10,936	\$ 46,307	\$ 40,161
Operating segment EBIT (1)				
Performance Plastics	\$ 973	\$ 351	\$ 2,467	\$ 1,048
Performance Chemicals	177	183	1,212	600
Agricultural Sciences	74	41	543	586
Plastics	610	591	2,405	1,725
Chemicals	269	411	1,132	1,602
Hydrocarbons and Energy	(1)	1	(1)	-
Unallocated and Other	(216)	(187)	(795)	(1,104)
Total	\$ 1,886	\$ 1,391	\$ 6,963	\$ 4,457
Geographic area sales				
United States	\$ 4,656	\$ 4,041	\$ 17,524	\$ 15,054
Europe	3,981	3,924	16,624	14,280
Rest of World	3,280	2,971	12,159	10,827
Total	\$ 11,917	\$ 10,936	\$ 46,307	\$ 40,161

(1) The Company uses EBIT (which Dow defines as earnings before interest, income taxes and minority interests) as its measure of profit/loss for segment reporting purposes. EBIT includes all operating items related to the businesses and excludes items that principally apply to the Company as a whole. A reconciliation of EBIT to "Net Income Available for Common Stockholders" is provided below:

	Three Months Ended		Twelve Months Ended	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
EBIT	\$ 1,886	\$ 1,391	\$ 6,963	\$ 4,457
+ Interest income	40	28	138	86
- Interest expense and amortization of debt discount	159	186	702	747
- Provision for income taxes	629	175	1,782	877
- Minority interests' share in income	22	32	82	122
+ Cumulative effect of change in accounting principle	(20)	-	(20)	-
Net Income Available for Common Stockholders	\$ 1,096	\$ 1,026	\$ 4,515	\$ 2,797

Sales Volume and Price by Operating Segment and Geographic Area

Percentage change from prior year	Three Months Ended			Twelve Months Ended		
	Dec. 31, 2005			Dec. 31, 2005		
	Volume	Price	Total	Volume	Price	Total
Operating segments						
Performance Plastics	2%	10%	12%	1%	19%	20%
Performance Chemicals	(1)%	8%	7%	(2)%	18%	16%
Agricultural Sciences	(4)%	-	(4)%	(3)%	3%	-
Plastics	(1)%	10%	9%	-	18%	18%
Chemicals	(9)%	13%	4%	(13)%	17%	4%
Hydrocarbons and Energy	1%	15%	16%	2%	22%	24%
Total	(1)%	10%	9%	(2)%	17%	15%
Geographic areas						
United States	(3)%	18%	15%	(3)%	19%	16%
Europe	-	1%	1%	1%	15%	16%
Rest of World	1%	9%	10%	(5)%	17%	12%
Total	(1)%	10%	9%	(2)%	17%	15%

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*Trademark of The Dow Chemical Company

Form No. 161-00641-4Q05

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **DECEMBER 31, 2005**

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**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class
Common Stock, par value \$2.50 per shares

Name of each exchange on which registered
Common Stock registered on the New York, Chicago and
Pacific Stock Exchanges

Debentures, 6.85%, final maturity 2013

Debentures registered on the New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

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.

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

☐ Yes ☒ No

The aggregate market value of voting stock held by non-affiliates as of June 30, 2005 (based upon the closing price of \$44.53 per common share as quoted on the New York Stock Exchange), was approximately \$42.5 billion. For purposes of this computation, it is assumed that the shares of voting stock held by Directors, Officers, the Dow Employees' Pension Plan Trust, and the Retirement Program for Employees of Union Carbide Corporation and its Participating Subsidiary Companies would be deemed to be stock held by affiliates. Non-affiliated common stock outstanding at June 30, 2005 was 954,576,414 shares.

Total common stock outstanding at January 31, 2006 was 967,423,232 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Part III: Proxy Statement for the Annual Meeting of Stockholders to be held on May 11, 2006.

The Dow Chemical Company
ANNUAL REPORT ON FORM 10-K
For the fiscal year ended December 31, 2005

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The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

THE COMPANY

The Dow Chemical Company was incorporated in 1947 under Delaware law and is the successor to a Michigan corporation, of the same name, organized in 1897. Except as otherwise indicated by the context, the terms "Company" or "Dow" as used herein mean The Dow Chemical Company and its consolidated subsidiaries. On February 6, 2001, the merger of Union Carbide Corporation ("Union Carbide") with a subsidiary of The Dow Chemical Company was completed, and Union Carbide became a wholly owned subsidiary of Dow.

The Company is engaged in the manufacture and sale of chemicals, plastic materials, agricultural and other specialized products and services.

The Company's principal executive offices are located at 2030 Dow Center, Midland, Michigan 48674, telephone 989-636-1000. Its Internet website address is www.dow.com. All of the Company's filings with the U.S. Securities and Exchange Commission are available free of charge through the Investor Relations page on this website, immediately upon filing.

BUSINESS AND PRODUCTS

Corporate Profile

Dow is a leading science and technology company that provides innovative chemical, plastic and agricultural products and services to many essential consumer markets. In 2005, Dow had annual sales of \$46 billion and employed approximately 42,000 people. The Company serves customers in more than 175 countries and a wide range of markets that are vital to human progress, including food, transportation, health and medicine, personal and home care, and building and construction, among others. The Company has 156 manufacturing sites in 37 countries and supplies more than 3,200 products grouped within the operating segments listed on the following pages.

PERFORMANCE PLASTICS

Applications: automotive interiors, exteriors, under-the-hood and body engineered systems • building and construction, thermal and acoustic insulation, roofing • communications technology, telecommunication cables, electrical and electronic connectors • footwear • home and office furnishings: kitchen appliances, power tools, floor care products, mattresses, carpeting, flooring, furniture padding, office furniture • information technology equipment and consumer electronics • packaging, food and beverage containers, protective packaging • sports and recreation equipment • wire and cable insulation and jacketing materials for power utility and telecommunications

Building and Construction manufactures and markets an extensive line of insulation, weather barrier, and oriented composite building solutions, as well as a line of cushion packaging foam solutions. The business is the recognized leader in extruded polystyrene (XPS) insulation, known industry-wide by its distinctive Blue color and the Dow STYROFOAM™ brand for more than 50 years. The business also manufactures foam solutions for a wide range of applications including cushion packaging, electronics protection and material handling.

- **Products:** EQUIFOAM™ comfort products; ETHAFOAM™ polyethylene foam; IMOTUS™ acoustic panels; QUASH™ sound management foam; SARAN™ vapor retarder film and tape; STYROFOAM™ brand insulation products (including XPS and polyisocyanurate rigid foam sheathing products); SYMMATRIX™ oriented composites; SYNERGY™ soft touch foam; TRYMER™ polyisocyanurate foam pipe insulation; and WEATHERMATE™ weather barrier solutions (housewraps, sill pans, flashings and tapes)

Dow Automotive business provides manufacturers of passenger cars, light trucks and commercial vehicles with solutions that perform for body structure enhancement, acoustical performance, styling/aesthetics and other plastics-enabled solutions for interior, exterior, and under-the-hood applications. The business also provides research and development, design expertise and advanced engineering support to help meet or exceed performance targets in all vehicle segments.

- **Products:** AFFINITY™ polyolefin plastomers; AMPLIFY™ functional polymers; BETABRACE™ reinforcing composites; BETADAMP™ acoustical damping systems; BETAFOAM™ NVH and structural foams; BETAGUARD™ sealants; BETAMATE™ structural adhesives; BETASEAL™ glass bonding systems; CALIBRE™ polycarbonate resins; DOW™ polyethylene resins; DOW™ polypropylene resins and automotive components made with DOW™ polypropylene; IMPAXX™ energy management foam; Injection-molded dashmats and underhood barriers; INSPIRE™ performance polymers; INTEGRAL™ adhesive film;

The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

Business and Products – Continued

ISONATE™ pure and modified methylene diphenyl diisocyanate (MDI) products; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PAPI™ polymeric MDI; PELLETHANE™ thermoplastic polyurethane elastomers; premium brake fluids and lubricants; PULSE™ engineering resins; SPECFLEX™ semi-flexible polyurethane foam systems; SPECTRIM™ reaction moldable polymers; STRANDFOAM™ polypropylene foam; VERSIFY™ plastomers and elastomers; VORANATE™ specialty isocyanates; VORANOL™ polyether polyols

Engineering Plastics business offers a broad range of engineering plastics and compounds to serve diverse markets, including civil construction, electronics and appliances. The business complements its product portfolio by developing solutions that deliver improved performance to high end applications.

- **Products:** CALIBRE™ polycarbonate resins; EMERGE™ advanced resins; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PELLETHANE™ thermoplastic polyurethane elastomers; PULSE™ engineering resins; TYRIL™ SAN resins

Epoxy Products and Intermediates business manufactures a wide range of epoxy products, as well as intermediates used by other major epoxy producers. Dow is a leading global producer of epoxy products, supporting customers with high-quality raw materials, technical service and production capabilities.

- **Products:** Acetone; Acrylic monomers; Allyl chloride; Bisphenol A; D.E.H.™ epoxy catalyst resins; D.E.N.™ epoxy novolac resins; D.E.R.™ epoxy resins (liquids, solids and solutions); Epichlorohydrin; Epoxy acrylates; OPTIM™ glycerine; Phenol; UV specialty epoxies

Polyurethanes and Thermoset Systems business is a leading global producer of polyurethane raw materials and thermoset systems. Differentiated by its ability to globally supply a high-quality, consistent and complete product range, this business emphasizes both existing and new business developments while facilitating customer success with a global market and technology network.

- **Products:** THE ENHANCER™ and LIFESPAN™ carpet backings; FROTH-PAK™ polyurethane spray foam; GREAT STUFF™ polyurethane foam sealant; INSTA-STIK™ roof insulation adhesive; ISONATE™ MDI; PAPI™ polymeric MDI; Propylene glycol; Propylene oxide; SPECFLEX™ copolymer polyols; SYNTEGRA™ waterborne polyurethane dispersions; TILE BOND™ roof tile adhesive; VORACOR™, VORALAST™, VORALUX™ and VORASTAR™ polyurethane systems; VORANATE™ isocyanate; VORANOL™ and VORANOL™ VORACTIV™ polyether and copolymer polyols

Technology Licensing and Catalyst business includes licensing and supply of related catalysts for the UNIPOL™ polypropylene process, the METEOR™ process for ethylene oxide (EO) and ethylene glycol (EG), the LP OXO™ process for oxo alcohols, and the QBIS™ bisphenol A process. Licensing of the UNIPOL™ polyethylene process and related catalysts, including metallocene catalysts, are handled through Univation Technologies, LLC, a 50:50 joint venture of Union Carbide.

- **Products:** LP OXO™ process technology; METEOR™ EO/EG process technology and catalysts; QBIS™ bisphenol A process technology and DOWEX™ QCAT™ catalyst; SHAC™ catalysts; UNIPOL™ process technology

Wire and Cable business is the leading global producer of a variety of performance plastics-enabled products that are marketed worldwide for wire and cable applications. Chief among these are polyolefin-based compounds for high-performance insulation, semiconductives and jacketing systems for power distribution, telecommunications and flame-retardant wire and cable.

- **Products:** REDI-LINK™ polyethylene; SI-LINK™ crosslinkable polyethylene; UNIGARD™ high-performance flame-retardant compounds; UNIGARD™ reduced emissions flame-retardant compounds; UNIPURGE™ purging compounds; Wire and cable insulation and jacketing compounds; ZETABON™ coated metal cable armor

The Performance Plastics segment also includes the INCLOSIA™ Solutions business focused on the production of innovative enclosures for consumer electronics, as well as certain products acquired from DuPont Dow Elastomers L.L.C., including ENGAGE™ polyolefin elastomers, NORDEL™ hydrocarbon rubber and TYRIN™ chlorinated polyethylene resins. Also part of the Performance Plastics segment is an extensive line of specialty plastic resins and

The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

films for food and specialty packaging applications, window envelope films, medical films and metal lamination films, such as SARAN™ films, SARANEX™ films, PROCITE™ polystyrene films and TRENCHCOAT™ polyolefin films.

PERFORMANCE CHEMICALS

Applications: agricultural and pharmaceutical products and processing • building materials • chemical processing and intermediates • food processing and ingredients • household products • paints, coatings, inks, adhesives, lubricants • personal care products • pulp and paper manufacturing, coated paper and paperboard • textiles and carpet • water purification

Acrylics and Oxide Derivatives business is the world's largest supplier of glycol ethers and amines, and a leading supplier of acrylics, producing an array of products serving a diverse set of market applications, including coatings, household and personal care products, gas treating and agricultural products.

- **Products:** Acrylic acid/Acrylic esters; Alkyl alkanolamines; DRYTECH™ superabsorbent polymers; Ethanolamines; Ethylene oxide- and propylene oxide-based glycol ethers; Ethyleneamines; Isopropanolamines

Dow Latex business is a major global supplier of synthetic latex, used for coating paper and paperboard (for magazines, catalogues and food packaging), and in decorative and industrial paints, adhesives, textile products, and construction products such as caulks and sealants.

- **Products:** Acrylic latex; Butadiene-vinylidene latex; NEOCAR™ branched vinyl ester latexes; POLYPHOBE™ rheology modifiers; Polystyrene latex; Styrene-acrylate latex; Styrene-butadiene latex; UCAR™ all-acrylic, styrene-acrylic and vinyl-acrylic latexes

Specialty Chemicals business provides products used as functional ingredients or processing aids in the manufacture of a diverse range of products. Applications include agricultural and pharmaceutical products and processing, building and construction, chemical processing and intermediates, food processing and ingredients, household products, coatings, pulp and paper manufacturing, and transportation. Dow Haltermann Custom Processing provides contract and custom manufacturing services to other specialty chemical and agricultural chemical producers.

- **Products:** CARBOWAX™ polyethylene glycols and methoxypolyethylene glycols; Diphenyloxide; DOW™ polypropylene glycols; DOWFAX™, TERGITOL™ and TRITON™ surfactants; DOWTHERM™, SYLTHERM™ and UCARTHERM™ heat transfer fluids; UCAR™ deicing fluids; UCON™ fluids; VERSENE™ chelating agents; Fine and specialty chemicals from the Dow Haltermann Custom Processing business; Test and reference fuels, printing ink distillates, pure hydrocarbons and esters, and derivatives from Haltermann Products, a wholly owned subsidiary of Dow

Specialty Polymers business provides a diverse portfolio of multi-functional ingredients and polymers for numerous markets and applications. Within Specialty Polymers, Liquid Separations uses several technologies to separate dissolved minerals and organics from water, making purer water for human and industrial uses. Specialty Polymers businesses also market a range of products that enhance the physical and sensory properties of end-use products in a wide range of applications including food, pharmaceuticals, oilfields, paints and coatings, personal care, and building and construction. The business also includes Advanced Electronic Materials and the results of Dowpharma, which provides the pharmaceutical and biopharmaceutical industries with products and services for drug discovery, development, manufacturing and delivery.

- **Products:** Acrolein derivatives; Basic nitroparaffins and nitroparaffin-based specialty chemicals of ANGUS Chemical Company, a wholly owned subsidiary of Dow; Biocides; CELLOSIZETM hydroxyethyl cellulose; DOWEX™ ion exchange resins; ETHOCEL™ ethylcellulose resins; FILMTEC™ membranes; METHOCEL™ cellulose ethers; POLYOX™ water-soluble resins; Products for hair/skin care from Amerchol Corporation, a wholly owned subsidiary of Dow

The Performance Chemicals segment also includes peroxymeric chemicals, solution vinyl resins and other specialty chemicals.

The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

Business and Products – Continued

AGRICULTURAL SCIENCES

Applications: control of weeds, insects and plant diseases for agriculture and pest management • agricultural seeds and traits (genes)

Dow AgroSciences is a global leader in providing pest management, agricultural and crop biotechnology products and solutions. The business develops, manufactures and markets products for crop production; weed, insect and plant disease management; and industrial and commercial pest management. Dow AgroSciences is building a leading plant genetics and biotechnology business in agricultural seeds, traits, healthy oils, animal health, and food safety.

- **Products:** CLINCHER™ herbicide; DITHANE™ fungicide; LORSBAN™ insecticides; FORTRESS™ fungicide; GARLON™ herbicide; GLYPHOMAX™ herbicide; GRANITE™ herbicide, HERCULEX™ I insect protection; KEYSTONE™ herbicides; LAREDO™ fungicide; LONTREL™ herbicide; MUSTANG™ herbicide; MYCOGEN™ seeds; NATREON™ canola oil; NEXERA™ seeds; PHYTOGEN™ brand cottonseeds; PROFUME™ gas fumigant; SENTRICON™ Termite Colony Elimination System; STARANE™ herbicide; STINGER™ herbicide; SURPASS™ herbicide; TELONE™ soil fumigant; TORDON™ herbicide; TRACER™ NATURALYTE™ insect control; VIKANE™ structural fumigant; WIDESTRIKE™ insect protection

PLASTICS

Applications: adhesives • appliances and appliance housings • agricultural films • automotive parts and trim • beverage bottles • bins, crates, pails and pallets • building and construction • coatings • consumer and durable goods • consumer electronics • disposable diaper liners • fibers and nonwovens • films, bags and packaging for food and consumer products • hoses and tubing • household and industrial bottles • housewares • hygiene and medical films • industrial and consumer films and foams • information technology • oil tanks and road equipment • plastic pipe • textiles • toys, playground equipment and recreational products • wire and cable compounds

Polyethylene business is the world's leading supplier of polyethylene-based solutions through sustainable product differentiation. Through the use of multiple catalyst and all process technologies, the business offers customers one of the industry's broadest ranges of polyethylene resins via a strong global network of local experts focused on partnering for long-term success.

- **Products:** AFFINITY™ polyolefin plastomers (POPs); AMPLIFY™ functional polymers; ASPUN™ fiber grade resins; ATTANE™ ultra low density polyethylene (ULDPE) resins; CONTINUUM™ bimodal polyethylene resins; DOW™ high density polyethylene (HDPE) resins; DOW™ low density polyethylene (LDPE) resins; DOWLEX™ polyethylene resins; ELITE™ enhanced polyethylene (EPE) resins; FLEXOMER™ very low density polyethylene (VLDPE) resins; PRIMACOR™ copolymers; TUFLIN™ linear low density polyethylene (LLDPE) resins; UNIVAL™ HDPE resins

Polypropylene business, a major global polypropylene supplier, provides a broad range of products and solutions tailored to customer needs by leveraging Dow's leading manufacturing and application technology, research and product development expertise, extensive market knowledge and strong customer relationships.

- **Products:** DOW™ homopolymer polypropylene resins; DOW™ impact copolymer polypropylene resins; DOW™ random copolymer polypropylene resins; INSPIRE™ performance polymers

Polystyrene business, the global leader in the production of polystyrene resins, is uniquely positioned with geographic breadth and participation in a diversified portfolio of applications. Through market and technical leadership and low cost capability, the business continues to improve product performance and meet customer needs.

- **Products:** STYRON A-TECH™ and C-TECH™ advanced technology polystyrene resins and a full line of STYRON™ general purpose polystyrene resins; STYRON™ high-impact polystyrene resins

The Plastics segment also includes polybutadiene rubber, styrene-butadiene rubber, several specialty resins, such as VERSIFY™ plastomers and elastomers and DOW XLA™ elastic fiber for the textile industry, and the results of Equipolymers, a 50:50 joint venture.

The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

CHEMICALS

Applications: agricultural products • alumina • automotive antifreeze and coolant systems • carpet and textiles • chemical processing • dry cleaning • dust control • household cleaners and plastic products • inks • metal cleaning • packaging, food and beverage containers, protective packaging • paints, coatings and adhesives • personal care products • petroleum refining • pharmaceuticals • plastic pipe • pulp and paper manufacturing • snow and ice control • soaps and detergents • water treatment

Core Chemicals business is a leading global producer of each of its basic chemical products, which are sold to many industries worldwide, and also serve as key raw materials in the production of a variety of Dow's performance and plastics products.

- **Products:** Acids; Alcohols; Aldehydes; Caustic soda; Chlorine; Chloroform; COMBOTHERM™ blended deicer; DOWFLAKE™ calcium chloride; DOWPER™ dry cleaning solvent; Esters; Ethylene dichloride (EDC); LIQUIDOW™ liquid calcium chloride; MAXICHECK™ procedure for testing the strength of reagents; MAXISTAB™ stabilizers for chlorinated solvents; Methyl chloride; Methylene chloride; Monochloroacetic acid (MCAA); Oxo products; PELADOW™ calcium chloride pellets; Perchloroethylene; SAFE-TAINER™ closed-loop delivery system; Trichloroethylene; Vinyl acetate monomer (VAM); Vinyl chloride monomer (VCM); Vinylidene chloride (VDC)

Ethylene Oxide/Ethylene Glycol business is a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and a world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Dow also supplies ethylene oxide to internal derivatives businesses. Ethylene glycol is used in polyester fiber, polyethylene terephthalate (PET) for food and beverage container applications, polyester film and antifreeze.

- **Products:** Ethylene glycol (EG); Ethylene oxide (EO)

The Chemicals segment also includes the results of MEGlobal.

HYDROCARBONS AND ENERGY

Applications: polymer and chemical production • power

The **Hydrocarbons and Energy** business encompasses the procurement of fuels, natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, power and steam for use in Dow's global operations. Dow is the world leader in the production of olefins and aromatics.

- **Products:** Benzene; Butadiene; Butylene; Cumene; Ethylene; Propylene; Styrene; Power, steam and other utilities

Unallocated and Other includes the results of Dow Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities); Venture Capital; the Company's insurance operations and environmental operations; as well as Dow Corning Corporation, a 50:50 joint venture.

Industry Segments and Geographic Area Results

See Note U to the Consolidated Financial Statements for disclosure of information by operating segment and geographic area.

Number of Products

Dow manufactures and supplies more than 3,200 products and services. No single product accounted for more than 5 percent of the Company's consolidated net sales in 2005.

Competition

Historically, the chemical industry has operated in a competitive environment, and that environment is expected to continue. The Company experiences substantial competition in each of its operating segments and in each of the geographic areas in which it operates. In addition to other chemical companies, the chemical divisions of major international oil companies provide substantial competition in the United States and abroad. Dow competes worldwide on the basis of quality, price and customer service, and for 2005 continued to be the largest U.S. producer of chemicals and plastics, in terms of sales.

The Dow Chemical Company and Subsidiaries
PART I, Item 1. Business.

Business and Products – Continued

Raw Materials

The Company operates in an integrated manufacturing environment. Basic raw materials are processed through many stages to produce a number of products that are sold as finished goods at various points in those processes.

The two major raw material streams that feed the integrated production of the Company's finished goods are chlorine-based and hydrocarbon-based raw materials.

Salt, limestone and natural brine are the base raw materials used in the production of chlor-alkali products and derivatives. The Company owns salt deposits in Louisiana, Michigan and Texas; Alberta, Canada; Brazil; and Germany. The Company also owns natural brine deposits in Michigan and limestone deposits in Texas.

The Company purchases hydrocarbon raw materials including liquefied petroleum gases, crude oil, naphtha, natural gas and condensate. These raw materials are used in the production of both saleable products and energy. The Company also purchases electric power, benzene, ethylene, propylene and styrene to supplement internal production. Expenditures for hydrocarbon feedstocks and energy accounted for 47 percent of the Company's production costs and operating expenses for the year ended December 31, 2005. The Company purchases these raw materials on both short- and long-term contracts.

Other significant raw materials include acrylonitrile, aniline, bisphenol, co-monomers (for linear low density polyethylene), methanol, rubber, and toluene diamine. The Company purchases these raw materials on both short- and long-term contracts.

The Company had adequate supplies of raw materials during 2005, except during temporary supply disruptions related to two major hurricanes on the U.S. Gulf Coast, and expects to continue to have adequate supplies of raw materials in 2006.

Method of Distribution

All products and services are marketed primarily through the Company's sales force, although in some instances more emphasis is placed on sales through distributors.

Twenty-two percent of the sales of the Chemicals segment in 2005 were to one customer. The Company has a supply contract with this customer on an ongoing basis. In addition, sales to MEGlobal, a 50:50 joint venture with Petrochemical Industries Company of Kuwait, represented approximately 15 percent of the sales in the Chemicals segment. Excess ethylene glycol produced in Dow's plants in the United States and Europe is sold to MEGlobal. See Note C to the Consolidated Financial Statements for further discussion on the formation of MEGlobal in the second quarter of 2004. Other than the sales to these customers, no significant portion of the business of any operating segment is dependent upon a single customer.

Research and Development

The Company is engaged in a continuous program of basic and applied research to develop new products and processes, to improve and refine existing products and processes and to develop new applications for existing products. Research and development expenses were \$1,073 million in 2005, \$1,022 million in 2004 and \$981 million in 2003. At December 31, 2005, the Company employed approximately 5,600 people in various research and development activities.

Patents, Licenses and Trademarks

The Company continually applies for and obtains U.S. and foreign patents. At December 31, 2005, the Company owned 2,613 active U.S. patents and 8,823 active foreign patents as follows:

Patents Owned at December 31, 2005		
	<i>U.S.</i>	<i>Foreign</i>
Performance Plastics	1,171	4,317
Performance Chemicals	413	1,022
Agricultural Sciences	544	1,827
Plastics	297	1,237
Chemicals	76	107
Hydrocarbons and Energy	36	198
Other	76	115
Total	2,613	8,823

Dow's primary purpose in obtaining patents is to protect the results of its research for use in operations and licensing. Dow is also party to a substantial number of patent licenses and other technology agreements. The Company had revenue related to patent and technology royalties totaling \$195 million in 2005, \$246 million in 2004 and \$185 million in 2003, and

The Dow Chemical Company and Subsidiaries

PART I, Item 1. Business.

incurred royalties to others of \$62 million in 2005, \$42 million in 2004 and \$33 million in 2003. Dow also has a substantial number of trademarks and trademark registrations in the United States and in other countries, including the "Dow in Diamond" trademark. Although the Company considers that its patents, licenses and trademarks in the aggregate constitute a valuable asset, it does not regard its business as being materially dependent upon any single patent, license or trademark.

Principal Partly Owned Companies

Dow's principal nonconsolidated affiliates at December 31, 2005, including direct or indirect ownership interest for each, are listed below:

- Compañía Mega S.A. – 28 percent – an Argentine company that owns a natural gas separation and fractionation plant, which provides feedstocks to the Company's petrochemical plant located in Bahia Blanca, Argentina.
- Dow Corning Corporation – 50 percent – a U.S. company that manufactures silicone and silicone products. See Item 3. Legal Proceedings and Note K to the Consolidated Financial Statements.
- EQUATE Petrochemical Company K.S.C. – 42.5 percent – a Kuwait-based company that manufactures ethylene, polyethylene and ethylene glycol.
- Equipolymers – 50 percent – a company, headquartered in Zurich, Switzerland, that manufactures purified terephthalic acid, and manufactures and markets polyethylene terephthalate resins. See Note C to the Consolidated Financial Statements.
- MEGlobal – 50 percent – a company, headquartered in London, England, that manufactures and markets monoethylene glycol and diethylene glycol. See Note C to the Consolidated Financial Statements.
- The OPTIMAL Group [consisting of OPTIMAL Olefins (Malaysia) Sdn Bhd – 23.75 percent; OPTIMAL Glycols (Malaysia) Sdn Bhd – 50 percent; OPTIMAL Chemicals (Malaysia) Sdn Bhd – 50 percent] – Malaysian companies operating an ethane/propane cracker, an ethylene glycol facility and a production facility for ethylene and propylene derivatives within a world-scale, integrated chemical complex located in Kerteh, Terengganu, Malaysia.
- The Siam Group – 49 percent [consisting of Pacific Plastics (Thailand) Limited; Siam Polyethylene Company Limited; Siam Polystyrene Company Limited; Siam Styrene Monomer Co., Ltd.; Siam Synthetic Latex Company Limited] – Thailand-based companies that manufacture polyurethanes, polyethylene, polystyrene, styrene and latex.

See Note G to the Consolidated Financial Statements for additional information.

Financial Information About Foreign and Domestic Operations and Export Sales

In 2005, the Company derived 62 percent of its sales and had 46 percent of its property investment outside the United States. While the Company's international operations may be subject to a number of additional risks, such as changes in currency exchange rates, the Company does not regard its foreign operations, on the whole, as carrying any greater risk than its operations in the United States. Information on sales and long-lived assets by geographic area for each of the last three years appears in Note U to the Consolidated Financial Statements, and discussions of the Company's risk management program for foreign exchange and interest rate risk management appear in Item 7A. Quantitative and Qualitative Disclosures About Market Risk and Note I to the Consolidated Financial Statements.

Protection of the Environment

Matters pertaining to the environment are discussed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation, and Notes A and K to the Consolidated Financial Statements.

Employees

Personnel count was 42,413 at December 31, 2005; 43,203 at December 31, 2004; and 46,372 at December 31, 2003. Headcount continued to decline in 2005, despite the addition of approximately 115 employees associated with the acquisition of businesses from DuPont Dow Elastomers L.L.C., as the Company remained focused on improving organizational efficiency and financial performance.

Other Activities

Dow engages in the property and casualty insurance and reinsurance business primarily through its Liana Limited subsidiaries.

The Dow Chemical Company and Subsidiaries
PART I, Item 1A. Risk Factors.

The factors described below represent the Company's principal risks. Except as otherwise indicated, these factors may or may not occur and the Company is not in a position to express a view on the likelihood of any such factor occurring. Other factors may exist that the Company does not consider to be significant based on information that is currently available or that the Company is not currently able to anticipate.

Rising and volatile purchased feedstock and energy costs increase Dow's operating costs and add variability to earnings.

During 2005, purchased feedstock and energy costs continued to rise sharply, adding an additional \$4 billion of costs compared with 2004 and accounting for 47 percent of the Company's total production costs and operating expenses in 2005, up from 43 percent in 2004 and 36 percent in 2003. In 2006, purchased feedstock and energy costs are expected to remain high and volatile, resulting in further increases in costs. The Company uses its feedstock flexibility and financial and physical hedging programs to reduce the negative effect of increases in these costs. However, the Company is not always able to immediately raise prices and, ultimately, its ability to pass on underlying cost increases is greatly dependent on market conditions. As a result, increases in these costs could negatively impact the Company's results of operations.

The earnings generated by the Company's basic chemical and basic plastic products will vary from period to period based in part on the balance of supply relative to demand within the industry.

The balance of supply relative to demand within the industry may be significantly impacted by the addition of new capacity. For basic commodities, capacity is generally added in large increments as world-scale facilities are built; this may disrupt industry balances and result in downward pressure on prices due to the increase in supply, which could negatively impact the Company's results of operations.

The businesses of many of Dow's customers are cyclical in nature and sensitive to changes in general economic conditions.

An economic downturn in the businesses or geographic areas in which Dow sells its products could reduce demand for these products and result in a decrease in sales volume and results of operations.

If key suppliers are unable to provide the raw materials required for production, Dow may not be able to obtain the raw materials from other sources on as favorable terms.

The Company purchases hydrocarbon raw materials including liquefied petroleum gases, crude oil, naphtha, natural gas and condensate. The Company also purchases electric power, benzene, ethylene, propylene and styrene to supplement internal production, and other raw materials. During 2005, the Company experienced temporary supply disruptions related to two major hurricanes on the U.S. Gulf Coast. If the Company's key suppliers are unable to provide the raw materials required for production, it could have a negative impact on Dow's results of operations.

The Company experiences substantial competition in each of the operating segments and geographic areas in which it operates.

Historically, the chemical industry has operated in a competitive environment, and that environment is expected to continue. In addition to other chemical companies, the chemical divisions of major international oil companies provide substantial competition. Dow competes worldwide on the basis of quality, price and customer service. Increased levels of competition could result in lower prices or lower sales volume, which would have a negative impact on the Company's results of operations.

Actual or alleged violations of environmental laws or permit requirements could result in restrictions or prohibitions on plant operations, substantial civil or criminal sanctions, as well as the assessment of strict liability and/or joint and several liability.

The Company is subject to extensive federal, state, local and foreign laws, regulations, rules and ordinances relating to pollution, protection of the environment and the generation, storage, handling, transportation, treatment, disposal and remediation of hazardous substances and waste materials. At December 31, 2005, the Company had accrued obligations of \$339 million for environmental remediation and restoration costs, including \$41 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 the ultimate cost with respect to these particular matters could range up to twice that amount. Costs and capital expenditures relating to environmental, health or safety matters are subject to

The Dow Chemical Company and Subsidiaries
PART I, Item 1A. Risk Factors.

evolving regulatory requirements and will depend on the timing of the promulgation and enforcement of specific standards which impose the requirements. Moreover, changes in environmental regulations could inhibit or interrupt the Company's operations, or require modifications to its facilities. Accordingly, environmental, health or safety regulatory matters may result in significant unanticipated costs or liabilities.

The Company is party to a number of 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 the claims and lawsuits facing the Company purport to be class actions and seek damages in very large amounts. All such claims are being contested. With the exception of the possible effect of the asbestos-related liability of Union Carbide, described below, it is the opinion of the Company's management that the possibility is remote that the aggregate of all such claims and lawsuits will have a material adverse impact on the Company's consolidated financial statements.

Union Carbide is and has been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. Union Carbide's asbestos-related liability for pending and future claims was \$1.5 billion at December 31, 2005. Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$535 million at December 31, 2005. In addition, Union Carbide had receivables for insurance recoveries of \$400 million at December 31, 2005, for defense and resolution costs. It is the opinion of the Company'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 adverse impact on the Company's results of operations and cash flows for a particular period and on the consolidated financial position of the Company.

Local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals.

Growing public and political attention has been placed on protecting critical infrastructure, including the chemical industry, from security threats. Terrorist attacks and natural disasters have increased concern regarding the security of chemical production and distribution. In addition, local, state and federal governments have begun a regulatory process that could lead to new regulations impacting the security of chemical plant locations and the transportation of hazardous chemicals, which could result in higher operating costs and interruptions in normal business operations.

Failure to develop new products could make the Company less competitive.

The Company is engaged in a continuous program of basic and applied research to develop new products and processes, to improve and refine existing products and processes and to develop new applications for existing products. Failure to develop new products could make the Company less competitive.

Failure to protect the Company's intellectual property could negatively affect its future performance and growth.

The Company continually applies for and obtains U.S. and foreign patents to protect the results of its research for use in operations and licensing. Dow is also party to a substantial number of patent licenses and other technology agreements. The Company relies on patents and confidentiality agreements to protect its intellectual property. Failure to protect this intellectual property could negatively affect the Company's future performance and growth.

Weather-related matters could impact the Company's results of operations.

Two major hurricanes caused significant disruption in Dow's operations on the U.S. Gulf Coast and logistics across the region during the third quarter of 2005. As a consequence, the Company's operating rate was reduced by approximately 4 percentage points during the third quarter. Lingering effects of the hurricanes on logistics and certain raw material supplies had an adverse impact on volume and cost for some of Dow's products in the fourth quarter of 2005. If similar weather-related matters occur in the future, it could negatively affect Dow's results of operations, due to the Company's substantial presence on the U.S. Gulf Coast.

The Company's business operations give rise to market risk exposure.

The Company's global business operations give rise to market risk exposure related to changes in foreign exchange rates, interest rates, commodity prices and other market factors such as equity prices. To manage such risks, Dow enters into hedging transactions, pursuant to established guidelines and policies. If Dow fails to effectively manage such risks, it could have a negative impact on the Company's consolidated financial statements.

The Dow Chemical Company and Subsidiaries
PART I, Item 1B. Unresolved Staff Comments.

UNRESOLVED STAFF COMMENTS

There were no unresolved comments from the Staff of the U.S. Securities and Exchange Commission at December 31, 2005.

The Dow Chemical Company and Subsidiaries
PART I, Item 2. Properties.

PROPERTIES

The Company operates 156 manufacturing sites in 37 countries. Properties of Dow include facilities which, in the opinion of management, are suitable and adequate for the manufacture and distribution of Dow's products. During 2005, the Company's chemicals and plastics production facilities and plants operated at approximately 84 percent of capacity. The Company's major production sites are as follows:

<i>United States:</i>	Plaquemine, Louisiana; Hahnville, Louisiana; Midland, Michigan; Freeport, Texas; Seadrift, Texas; Texas City, Texas; South Charleston, West Virginia.
<i>Canada:</i>	Fort Saskatchewan, Alberta.
<i>Germany:</i>	Boehlen; Leuna; Rheinmuenster; Schkopau; Stade.
<i>France:</i>	Drusenheim.
<i>The Netherlands:</i>	Terneuzen.
<i>Spain:</i>	Tarragona.
<i>Argentina:</i>	Bahia Blanca.
<i>Brazil:</i>	Aratu.

Including the major production sites, the Company has plants and holdings in the following geographic areas:

<i>United States:</i>	46 manufacturing locations in 16 states.
<i>Canada:</i>	6 manufacturing locations in 3 provinces.
<i>Europe:</i>	54 manufacturing locations in 19 countries.
<i>Latin America:</i>	25 manufacturing locations in 5 countries.
<i>Asia Pacific:</i>	25 manufacturing locations in 11 countries.

All of Dow's plants are owned or leased, subject to certain easements of other persons which, in the opinion of management, do not substantially interfere with the continued use of such properties or materially affect their value. Dow leases ethylene plants in Fort Saskatchewan, Alberta, Canada and Terneuzen, The Netherlands.

A summary of properties, classified by type, is provided in Note E to the Consolidated Financial Statements. Additional information regarding leased properties can be found in Note N to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
PART I, Item 3. Legal Proceedings.

LEGAL PROCEEDINGS

Breast Implant Matters

On May 15, 1995, Dow Corning Corporation ("Dow Corning"), in which the Company is a 50 percent shareholder, voluntarily filed for protection under Chapter 11 of the Bankruptcy Code to resolve litigation related to Dow Corning's breast implant and other silicone medical products. On June 1, 2004, Dow Corning's Joint Plan of Reorganization (the "Joint Plan") became effective and Dow Corning emerged from bankruptcy. The Joint Plan contains release and injunction provisions resolving all tort claims brought against various entities, including the Company, involving Dow Corning's breast implant and other silicone medical products.

To the extent not previously resolved in state court actions, cases involving Dow Corning's breast implant and other silicone medical products filed against the Company were transferred to the U.S. District Court for the Eastern District of Michigan (the "District Court") for resolution in the context of the Joint Plan. On October 6, 2005, all such cases then pending in the District Court against the Company were dismissed. Should cases involving Dow Corning's breast implant and other silicone medical products be filed against the Company in the future, they will be accorded similar treatment. It is the opinion of the Company's management that the possibility is remote that a resolution of all future cases will have a material adverse 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.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. 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.

The table below provides information regarding asbestos-related claims filed against Union Carbide and Amchem:

	2005	2004	2003
Claims unresolved at January 1	203,416	193,891	200,882
Claims filed	34,394	58,240	122,586
Claims settled, dismissed or otherwise resolved	(91,485)	(48,715)	(129,577)
Claims unresolved at December 31	146,325	203,416	193,891
Claimants with claims against both Union Carbide and Amchem	48,647	73,587	66,656
Individual claimants at December 31	97,678	129,829	127,235

Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or even thousands of 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 liability.

The Dow Chemical Company and Subsidiaries
PART I, Item 3. Legal Proceedings.

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. At each balance sheet date, Union Carbide compares current asbestos claim and resolution activity to the assumptions in the ARPC study to determine whether the accrual continues to be appropriate. In November 2004, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its January 2003 study. In January 2005, ARPC provided Union Carbide with a report summarizing the results of its study. At December 31, 2004, Union Carbide's recorded asbestos-related liability for pending and future claims was \$1.6 billion. Based on the low end of the range in the January 2005 study, Union Carbide's recorded asbestos-related liability for pending and future claims at December 31, 2004 would be sufficient to resolve asbestos-related claims against Union Carbide and Amchem into 2019. As in its January 2003 study, ARPC did provide estimates for a longer period of time in its January 2005 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time. Based on ARPC's studies, Union Carbide's asbestos litigation experience, and the uncertainties surrounding asbestos litigation and legislative reform efforts, Union Carbide's management determined that no change to the accrual was required at December 31, 2004.

In November 2005, Union Carbide requested ARPC to review Union Carbide's 2005 asbestos claim and resolution activity and determine the appropriateness of updating the January 2005 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2005. In January 2006, ARPC stated that an update of the study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required at December 31, 2005.

Union Carbide's asbestos-related liability for pending and future claims was \$1.5 billion at December 31, 2005 and \$1.6 billion at December 31, 2004. At December 31, 2005, approximately 39 percent of the recorded liability related to pending claims and approximately 61 percent related to future claims. At December 31, 2004, approximately 37 percent of the recorded liability related to pending claims and approximately 63 percent related to future claims.

Defense and Resolution Costs

The following table provides information regarding defense and resolution costs related to asbestos-related claims filed against Union Carbide and Amchem:

Defense and Resolution Costs				<i>Aggregate Costs to Date as of Dec. 31, 2005</i>
In millions	2005	2004	2003	
Defense costs	\$ 75	\$ 86	\$110	\$ 419
Resolution costs	\$139	\$300	\$293	\$1,065

The average resolution payment per asbestos claimant and the rate of new claim filings has fluctuated both up and down since the beginning of 2001. Union Carbide's management expects such fluctuations to continue in the future based upon the number and type of claims settled in a particular period, the jurisdictions in which such claims arose, and the extent to which any proposed legislative reform related to asbestos litigation is being considered.

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.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$535 million at December 31, 2005 and \$712 million at December 31, 2004. At December 31, 2005, \$398 million (\$543 million at December 31, 2004) 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.

The Dow Chemical Company and Subsidiaries
PART I, Item 3. Legal Proceedings.

Legal Proceedings – Continued

In addition, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

Receivables for Costs Submitted to Insurance Carriers at December 31		
In millions	2005	2004
Receivables for defense costs	\$ 73	\$ 85
Receivables for resolution costs	327	406
Total	\$400	\$491

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$75 million in 2005, \$82 million in 2004 and \$94 million in 2003, and was reflected in "Cost of sales."

In September 2003, Union Carbide filed a comprehensive insurance coverage case in the Circuit Court for Kanawha County in Charleston, West Virginia, seeking to confirm its rights to insurance for various asbestos claims (the "West Virginia action") and to facilitate an orderly and timely collection of insurance proceeds. Although Union Carbide already has settlements in place concerning coverage for asbestos claims with many of its insurers, including those covered by the 1985 Wellington Agreement, this lawsuit 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. In early 2004, several of the defendant insurers in the West Virginia action filed a competing action in the Supreme Court of the State of New York, County of New York. As a result of motion practice, the West Virginia action was dismissed in August 2004 on the basis of *forum non conveniens* (i.e., West Virginia is an inconvenient location for the parties). The comprehensive insurance coverage litigation is now proceeding in the New York courts (the "New York action"). The insurance carriers are contesting this litigation. Through the fourth quarter of 2005, Union Carbide reached settlements with several of the carriers involved in the New York action. After a further 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 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 adverse 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 adverse 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 Dow Chemical Company and Subsidiaries
PART I, Item 4. Submission of Matters to a Vote of Security Holders.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of 2005.

EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is information related to the Company's executive officers as of February 17, 2006.

WILLIAM F. BANHOLZER, 49. DOW CORPORATE VICE PRESIDENT AND CHIEF TECHNOLOGY OFFICER. Employee of Dow since July 2005. General Electric Company, Chemical Engineer 1983-1989; Laboratory Manager and Leader R&D Center 1989-1992; Manager of Superabrasives Business 1992-1997; Vice President of Global Engineering 1997-1999; Vice President of Global Technology 1999-2005. Dow Corporate Vice President and Chief Technology Officer July 2005 to date. Elected to the U.S. National Academy of Engineering in 2002.

FRANK H. BROD, 51. DOW CORPORATE VICE PRESIDENT AND CONTROLLER. Employee of Dow since 1975. Controller, Essex Chemical Corporation* 1988-1991. Financial Controller and Information Systems Director for Dow Chemical Company Limited* 1991-1993. Financial & Statutory Controller 1993-1995. Controller, Dow Europe GmbH* and Finance Director for Dow's Global Fabricated Products Business 1995-1998. Global Accounting Director 1998-2000. Corporate Vice President and Controller, The Dow Chemical Company 2000 to date. Director of Dow Credit Corporation*; Dow Financial Holdings, Inc.*; Diamond Capital Management, Inc.*; Dow Hydrocarbons and Resources Inc.*; Liana Limited*. Immediate past Chairman of the Committee on Corporate Reporting of Financial Executives International and a member of FEI's Board of Directors. Member of American Institute of Certified Public Accountants, Michigan Association of CPAs and Texas Society of CPAs. Director of Wolverine Bank, FSB. Member of Financial Accounting Standards Board's Emerging Issues Task Force, Standards Advisory Group of the Public Company Accounting Oversight Board (PCAOB) and member of Standards Advisory Council of the International Accounting Standards Board (IASB).

PHILLIP H. COOK, 58. DOW CORPORATE VICE PRESIDENT, STRATEGIC DEVELOPMENT AND NEW VENTURES. Employee of Dow since 1970. Commercial Vice President for Dow-United Technologies Composite Products, Inc. (a former 50:50 joint venture of the Company) 1989-1993. Global Business Manager for Epoxy Products 1993-1995. Vice President, Business Development for Greater China 1995-1998. Vice President and Global Business Director for ethylene dichloride, vinyl chloride monomer, chlorine, caustic soda and HCL 1998-2000. Global Business Vice President for Epoxy Products and Intermediates 2000-2003. Senior Vice President, Performance Chemicals and Thermosets, 2003-2005. Corporate Vice President of Strategic Development and New Ventures, 2005 to date. Member of the Board of Managers of Univation Technologies, LLC* and the Board of Directors of Dow AgroSciences LLC*. Member of the Visiting Committee of the Department of Chemical Engineering and member of the College of Engineering Foundation Advisory Council of The University of Texas at Austin. Member of the Board of Directors for the Midland Country Club. Member of the Board of Directors and Executive Committee of the National Paint & Coatings Association.

JULIE FASONE HOLDER, 53. DOW CORPORATE VICE PRESIDENT, HUMAN RESOURCES, DIVERSITY & INCLUSION AND PUBLIC AFFAIRS. Employee of Dow since 1975. Marketing Manager, Polyurethanes Business 1981-1984; District Sales Manager, Dow Latex 1984-1989; Group Marketing Manager for Formulation Products 1989-1994; Group Marketing Manager & Global Business Director, Performance Chemicals 1994-1997; Director of Sales and Marketing, Performance Chemicals 1997-2000; Business Vice President of Industrial Chemicals 2000-2004; Business Vice President, Specialty Plastics and Elastomers 2004-2005; Corporate Vice President, Human Resources, Diversity & Inclusion and Public Affairs 2005 to date. Recipient of Dow Genesis Award in 1999. Board member of Dexco Polymers L.P.*. Director of Wolverine Bank, FSB.

The Dow Chemical Company and Subsidiaries
PART I, Item 4. Submission of Matters to a Vote of Security Holders.

Executive Officers of the Registrant – Continued

MICHAEL R. GAMBRELL, 52. DOW EXECUTIVE VICE PRESIDENT, BASIC PLASTICS AND CHEMICALS PORTFOLIO. Employee of Dow since 1976. Business Director for the North America Chlor-Alkali Assets Business 1989-1992. General Manager for the Plastic Lined Pipe Business 1992-1994. Vice President of Operations for Latin America 1994-1996. Corporate Director, Technology Centers and Global Process Engineering 1996-1998. Global Business Director of the Chlor-Alkali Assets Business 1998-2000. Business Vice President for EDC/VCM & ECU Management 2000-2003. Business Vice President for the Chlor-Vinyl Business 2003. Senior Vice President, Chemicals and Intermediates 2003-2005. Executive Vice President, Basic Plastics and Chemicals Portfolio, 2005 to date. Board member of MEGlobal*, OPTIMAL Olefins (Malaysia) Sdn Bhd*, OPTIMAL Glycols (Malaysia) Sdn Bhd*, and OPTIMAL Chemicals (Malaysia) Sdn Bhd*. Chairman of the Board of Directors of the Chlorine Chemistry Council and World Chlorine Council. Recipient of the President's Distinguished Alumnus Award from Rose-Hulman Institute of Technology 1996.

CHARLES J. KALIL, 54. DOW CORPORATE VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY. Employee of Dow since 1980. General Counsel of Petrokemya (a former 50:50 joint venture of the Company) 1982-1983. Regional Counsel to Middle East/Africa 1983-1986. Senior Environmental Attorney 1986-1987. Litigation Staff Counsel and Group Leader 1987-1990. Senior Financial Law Counsel, Mergers and Acquisitions 1990-1992. General Counsel and Area Director of Government and Public Affairs for Dow Latin America 1992-1997. Special Counsel and Manager of INSITE™ legal issues 1997-2000. Assistant General Counsel for Corporate and Financial Law 2000-2003. Associate General Counsel for Corporate Legal Affairs 2003-2004. Dow Corporate Vice President and General Counsel November 2004 to date. Corporate Secretary 2005 to date. U.S. Department of Justice – Assistant U.S. Attorney, Eastern District of Michigan 1977-1980. Board member of Dorinco Reinsurance Company* and Liana Limited*. Member of the Board of Directors of Oman Petrochemical Industries Company LLC*. Member of the American Bar Association, District of Columbia Bar and the State Bar of Michigan.

DAVID E. KEPLER, 53. DOW CORPORATE VICE PRESIDENT, SHARED SERVICES, AND CHIEF INFORMATION OFFICER. Employee of Dow since 1975. Computer Services Manager of Dow U.S.A. Eastern Division 1984-1988. Commercial Director of Dow Canada Performance Products 1989-1991. Director of Pacific Area Information Systems 1991-1993. Manager of Information Technology for Chemicals and Plastics 1993-1994. Director of Global Information Systems Services 1994-1995. Director of Global Information Application 1995-1998. Vice President 1998-2000. Chief Information Officer 1998 to date. Corporate Vice President and responsible for eBusiness 2000 to date. Responsibility for Advanced Electronic Materials 2002-2003. Responsibility for Shared Services – Customer Service, Information Systems, Purchasing, Six Sigma, Supply Chain, and Work Process Improvement – 2004 to date. Member of U.S. Chamber of Commerce Board of Directors, the American Chemical Society, and the American Institute of Chemical Engineers. Chairman of the Chemical IT Council and Cyber Security Program. Member of the Board of Directors for the Midland Community Cancer Services and Alden B. Dow Museum of Science and Art.

ROMEO KREINBERG, 55. DOW EXECUTIVE VICE PRESIDENT, PERFORMANCE PLASTICS AND CHEMICALS PORTFOLIO. Employee of Dow since 1977. Business Operations Manager for Latex and New Ventures in the Corporate Product Department 1987-1989. Regional Commercial Director for Dow Iberica 1989-1990. Regional Commercial Director for the newly unified German geography 1990-1991. Management Board for Dow Deutschland GmbH* 1991-1992. General Manager for Dow Italy and Vice President of Dow Europe GmbH* 1992-1994. Vice President for Polyethylene and PET/PTA, Dow Europe 1994-1995. Global Vice President for Polyethylene and PET/PTA 1995-2000. Business Group President for Polyolefins and Elastomers 2000-2003. Senior Vice President, Plastics 2003-2005. Executive Vice President of Performance Plastics and Chemicals Portfolio 2005 to date. Board member of Dow Corning Corporation*, Oman Petrochemical Industries Company LLC*, PBBPolisur S.A.*; Univation Technologies, LLC*; and United States Council for International Business.

The Dow Chemical Company and Subsidiaries
PART I, Item 4. Submission of Matters to a Vote of Security Holders.

ANDREW N. LIVERIS, 51. DOW PRESIDENT, CHIEF EXECUTIVE OFFICER AND CHAIRMAN-ELECT.

DIRECTOR SINCE 2004. Employee of Dow since 1976. General manager of Dow's Thailand operations 1989-1992. Group business director for Emulsion Polymers and New Ventures 1992-1993. General manager of Dow's start-up businesses in Environmental Services 1993-1994. Vice President of Dow's start-up businesses in Environmental Services 1994-1995. President of Dow Chemical Pacific Limited* 1995-1998. Vice President of Specialty Chemicals 1998-2000. Business Group President for Performance Chemicals 2000-2003. President and Chief Operating Officer November 2003 to November 2004. President and Chief Executive Officer 2004 to date. Chairman-elect, effective April 1, 2006. Director of Citigroup, Inc. and Officer of the American Chemistry Council. Member of the American Australian Association, the Business Council, the Business Roundtable, The Detroit Economic Club, the G100, the International Business Council, the National Petroleum Council, The Société de Chimie Industrielle, the U.S.-China Business Council, and the World Business Council for Sustainable Development. Member of the Board of Trustees of the Herbert H. and Grace A. Dow Foundation.

GEOFFERY E. MERSZEI, 54. DOW EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER.

DIRECTOR SINCE 2005. Employee of Dow 1977-2001, 2005 to date. Dow Middle East/Africa Credit Manager 1977-1980; Dow Asia Pacific Credit Manager 1980-1982; Dow Asia Pacific Finance and Credit Manager 1982-1983. Dow Germany and Eastern Europe Treasurer 1983-1986. Dow Foreign Exchange Manager 1986-1988; Director of Finance for Dow Asia Pacific 1988-1991; Director of Finance/Treasurer for Dow Europe 1991-1996. Dow Vice President and Treasurer 1996-2001. Alcan, Inc. Executive Vice President and Chief Financial Officer 2001-2005. Dow Executive Vice President and Chief Financial Officer 2005 to date. Board member of Chemical Financial Corporation and Dow Corning Corporation*. Chairman of Dorinco Reinsurance Company*, Liana Limited*, and Dow Credit Corporation*. Member of the Financial Executives International and The Conference Board's Council of Financial Executives.

LUCIANO RESPINI, 59. DOW CORPORATE VICE PRESIDENT, GEOGRAPHY, MARKETING AND SALES.

Employee of Dow since 1965. President of Dow Europe 1998 to date. Corporate responsibility for Diversity and Inclusion, and Corporate Vice President for Human Resources and Public Affairs 2004-2005. Corporate responsibility for Marketing & Sales 2002 to date. Member of the Board of Sulzer AG, CEFIC (European Chemical Industry Council) and member of the Board of U.S. India Business Council.

FERNANDO RUIZ, 50. DOW CORPORATE VICE PRESIDENT AND TREASURER. Employee of Dow since 1980.

Treasurer, Ecuador Region 1982-1984. Treasurer, Mexico Region 1984-1988. Financial Operations Manager, Corporate Treasury 1988-1991. Assistant Treasurer, USA Area 1991-1992. Senior Finance Manager, Corporate Treasury 1992-1996. Assistant Treasurer, The Dow Chemical Company 1996-2001. Corporate Director of Insurance and Risk Management 2001. Corporate Vice President and Treasurer, The Dow Chemical Company, 2001 to date. President and Chief Executive Officer, Liana Limited* and Dorinco Reinsurance Company* 2001 to date. President of Dow Credit Corporation* 2001 to date. Director of Dow Financial Services Inc.* and EQUATE Petrochemical Company K.S.C.* Member of Financial Executives International, the Midland Economic Development Council, Citibank's Customer Advisory Board and Michigan State University (Eli Broad College of Business) Advisory Board. Member of DeVry, Inc. Board of Directors.

GARY R. VEURINK, 55. DOW CORPORATE VICE PRESIDENT, MANUFACTURING AND ENGINEERING.

Employee of Dow since 1972. Global Manufacturing Director for Engineering Plastics 1995-1998. Vice President, Global Purchasing, 1998-2000. Site Director for Michigan Operations and Business Operations Director for Performance Chemicals 2000-2004. Business operations leader and Vice President of Manufacturing and Engineering for the Chemicals and Intermediates portfolio in 2004. Corporate Vice President Manufacturing and Engineering November 2004 to date. Board member of Dow Corning Corporation*, Dorinco Reinsurance Company*, National Association of Manufacturing and the Michigan Chapter of the Nature Conservancy. President and Executive Council member of the Lake Huron Area Council of the Boy Scouts of America. Recipient of Outstanding Alumnus Award of the South Dakota School of Mines and Technology and member of the Academic Advisory Board.

The Dow Chemical Company and Subsidiaries
PART I, Item 4. Submission of Matters to a Vote of Security Holders.

Executive Officers of the Registrant – Continued

LAWRENCE J. WASHINGTON, JR., 60. DOW CORPORATE VICE PRESIDENT, SUSTAINABILITY, ENVIRONMENT, HEALTH & SAFETY. Employee of Dow since 1969. General Manager, Western Division 1987-1990. Vice President, Dow North America, and General Manager of the Michigan Division 1990-1994. Vice President, Human Resources 1994-2004. Vice President, Public Affairs 1997-2004. Director of Chemical Bank and Trust Company, Liana Limited*, Dorinco Reinsurance Company* and the Lake Huron Area Council of the Boy Scouts of America. Member of the Board of Trustees for the Midland Community Center. Member of the National Advisory Board for Michigan Technological University and the Advisory Council, College of Engineering and Science, University of Detroit Mercy.

* A number of Company entities are referenced in the biographies and are defined as follows. Some of these entities have had various names over the years. The names and relationships to the Company, unless otherwise indicated, are stated in this footnote as they existed as of February 17, 2006. EQUATE Petrochemical Company K.S.C. – a company ultimately 42.5 percent owned by Dow. OPTIMAL Olefins (Malaysia) Sdn Bhd – a company ultimately 23.75 percent owned by Dow. Dexco Polymers L.P.; Dow Corning Corporation; MEGlobal; Oman Petrochemical Industries Company LLC; OPTIMAL Glycols (Malaysia) Sdn Bhd; OPTIMAL Chemicals (Malaysia) Sdn Bhd; and Univation Technologies, LLC – companies ultimately 50 percent owned by Dow. Diamond Capital Management, Inc.; Dorinco Reinsurance Company; Dow AgroSciences LLC; Dow Chemical Company Limited; Dow Chemical Pacific Limited; Dow Credit Corporation; Dow Deutschland GmbH; Dow Europe GmbH; Dow Financial Holdings, Inc.; Dow Financial Services Inc.; Dow Hydrocarbons and Resources Inc.; Essex Chemical Corporation; Liana Limited; and PPBPolisur S.A. – all ultimately wholly owned subsidiaries of Dow. Ownership by Dow described above may be either direct or indirect.

The Dow Chemical Company and Subsidiaries
PART II, Item 5. Market for Registrant's Common Equity, Related
Stockholder Matters and Issuer Purchases of Equity Securities.

MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The principal market for the Company's common stock is the New York Stock Exchange.

Quarterly market and dividend information can be found in Quarterly Statistics at the end of Part II, Item 8. Financial Statements and Supplementary Data, following the Notes to the Consolidated Financial Statements.

At December 31, 2005, there were 105,561 registered common stockholders. The Company estimates that there were an additional 567,000 stockholders whose shares were held in nominee names at December 31, 2005. At January 31, 2006, there were 104,689 registered common stockholders.

On February 9, 2006, the Board of Directors announced a quarterly dividend of \$0.375 per share, payable April 28, 2006, to stockholders of record on March 31, 2006. Since 1912, the Company has paid a cash dividend every quarter and, in each instance, Dow has maintained or increased the amount of the dividend, adjusted for stock splits. During that 93-year period, Dow has increased the amount of the quarterly dividend 46 times (approximately 12 percent of the time) and maintained the amount of the quarterly dividend approximately 88 percent of the time. The Company declared dividends of \$1.34 per share in 2005, 2004 and 2003.

See Part III, Item 11. Executive Compensation for information relating to the Company's equity compensation plans.

The following table provides information regarding purchases of the Company's common stock by the Company during the three months ended December 31, 2005:

Issuer Purchases of Equity Securities				
<i>Period</i>	<i>Total number of shares purchased (1)</i>	<i>Average price paid per share</i>	<i>Total number of shares purchased as part of the Company's publicly announced share repurchase program (2)</i>	<i>Maximum number of shares that may yet be purchased under the Company's publicly announced share repurchase program</i>
October 2005	48,908	\$42.90	-	24,696,800
November 2005	239	45.45	-	24,696,800
December 2005	411,860	44.01	411,000	24,285,800
Fourth quarter 2005	461,007	\$43.89	411,000	24,285,800

(1) Includes 50,007 shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock. For information regarding the Company's stock option plans, see Note O to the Consolidated Financial Statements.

(2) On July 14, 2005, the Board of Directors authorized the repurchase of up to 25 million shares of Dow common stock over the period ending on December 31, 2007. Prior to that authorization (and since August 3, 1999 when the Board of Directors terminated its 1997 authorization which allowed the Company to repurchase shares of Dow common stock), the only shares purchased by the Company were those shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock.

The Dow Chemical Company and Subsidiaries
PART II, Item 6. Selected Financial Data

In millions, except as noted	2005	2004	2003
Summary of Operations (1)			
Net sales (2)	\$ 46,307	\$ 40,161	\$ 32,632
Cost of sales (2)	38,276	34,244	28,177
Research and development expenses	1,073	1,022	981
Selling, general and administrative expenses	1,545	1,436	1,392
Amortization of intangibles	55	81	63
Purchased in-process research and development charges	-	-	-
Special charges, merger-related expenses, and restructuring	114	(20)	-
Asbestos-related charge	-	-	-
Other income	1,719	1,059	468
Interest expense - net	564	661	736
Income (Loss) before income taxes and minority interests	6,399	3,796	1,751
Provision (Credit) for income taxes	1,782	877	(82)
Minority interests' share in income	82	122	94
Preferred stock dividends	-	-	-
Income (Loss) from continuing operations	4,535	2,797	1,739
Discontinued operations net of income taxes	-	-	-
Cumulative effect of changes in accounting principles	(20)	-	(9)
Net income (loss) available for common stockholders	\$ 4,515	\$ 2,797	\$ 1,730
Per share of common stock (in dollars): (3)			
Earnings (Loss) before cumulative effect of changes in accounting principles per common share - basic	\$ 4.71	\$ 2.98	\$ 1.89
Earnings (Loss) per common share - basic	4.69	2.98	1.88
Earnings (Loss) before cumulative effect of changes in accounting principles per common share - diluted	4.64	2.93	1.88
Earnings (Loss) per common share - diluted	4.62	2.93	1.87
Cash dividends declared per share of common stock	1.34	1.34	1.34
Cash dividends paid per share of common stock	1.34	1.34	1.34
Book value per share of common stock	15.84	12.88	9.89
Weighted-average common shares outstanding - basic (3)	963.2	940.1	918.8
Weighted-average common shares outstanding - diluted (3)	976.8	953.8	926.1
Convertible preferred shares outstanding	-	-	-
Year-end Financial Position			
Total assets	\$ 45,934	\$ 45,885	\$ 41,891
Working capital	6,741	5,384	3,578
Property - gross	41,934	41,898	40,812
Property - net	13,537	13,828	14,217
Long-term debt and redeemable preferred stock	9,186	11,629	11,763
Total debt	10,706	12,594	13,109
Net stockholders' equity	15,324	12,270	9,175
Financial Ratios			
Research and development expenses as percent of net sales (1, 2)	2.3%	2.5%	3.0%
Income (Loss) before income taxes and minority interests as percent of net sales (1, 2)	13.8%	9.5%	5.4%
Return on stockholders' equity (4)	29.5%	22.8%	18.9%
Debt as a percent of total capitalization	39.1%	47.9%	55.4%
General			
Capital expenditures	\$ 1,597	\$ 1,333	\$ 1,100
Depreciation (1)	1,904	1,904	1,753
Salaries and wages paid	4,309	3,993	3,608
Cost of employee benefits	988	885	783
Number of employees at year-end (thousands)	42.4	43.2	46.4
Number of Dow stockholders of record at year-end (thousands) (5)	105.6	108.3	113.1

(1) Restated for the sale of the pharmaceutical businesses in 1995.

(2) Adjusted for reclassification of freight on sales in 2000 and reclassification of insurance operations in 2002.

(3) Adjusted for 3-for-1 stock split in 2000.

2002	2001	2000	1999	1998	1997	1996	1995
\$ 27,609	\$ 28,075	\$ 29,798	\$ 26,131	\$ 25,396	\$ 27,814	\$ 27,267	\$ 27,140
23,780	23,892	24,310	20,422	19,566	20,961	19,981	18,702
1,066	1,072	1,119	1,075	1,026	990	962	997
1,598	1,765	1,825	1,776	1,964	2,168	2,426	2,543
65	178	139	160	106	80	58	52
-	69	6	6	349	-	-	-
280	1,487	-	94	458	-	-	-
828	-	-	-	-	-	-	-
94	423	706	424	1,166	657	523	200
708	648	519	432	458	355	246	211
(622)	(613)	2,586	2,590	2,635	3,917	4,117	4,835
(280)	(228)	839	874	902	1,320	1,423	1,822
63	32	72	74	20	113	194	197
-	-	-	5	6	13	17	17
(405)	(417)	1,675	1,637	1,707	2,471	2,483	2,799
-	-	-	-	-	-	-	187
67	32	-	(20)	-	(17)	-	-
\$ (338)	\$ (385)	\$ 1,675	\$ 1,617	\$ 1,707	\$ 2,454	\$ 2,483	\$ 2,986

\$ (0.44)	\$ (0.46)	\$ 1.88	\$ 1.87	\$ 1.92	\$ 2.72	\$ 2.61	\$ 2.73
(0.37)	(0.43)	1.88	1.85	1.92	2.71	2.61	2.91
(0.44)	(0.46)	1.85	1.84	1.89	2.63	2.51	2.62
(0.37)	(0.43)	1.85	1.82	1.89	2.61	2.51	2.80
1.34	1.295	1.16	1.16	1.16	1.12	1.00	0.97
1.34	1.25	1.16	1.16	1.16	1.08	1.00	0.93
8.36	11.04	13.22	12.40	11.34	11.17	10.95	10.09
910.5	901.8	893.2	874.9	888.1	898.4	950.1	1,025.8
910.5	901.8	904.5	893.5	904.8	936.2	997.2	1,073.4
-	-	-	1.3	1.4	1.4	27.3	27.6

\$ 39,562	\$ 35,515	\$ 35,991	\$ 33,456	\$ 31,121	\$ 31,004	\$ 31,219	\$ 29,838
2,519	2,183	1,150	2,848	1,570	1,925	4,799	6,234
37,934	35,890	34,852	33,333	32,844	31,052	30,896	29,575
13,797	13,579	13,711	13,011	12,628	11,832	11,893	10,921
11,659	9,266	6,613	6,941	5,890	5,703	5,770	6,067
13,036	10,883	9,450	8,708	8,099	8,145	7,067	6,726
7.626	9.993	11.840	10.940	9.878	9.974	10.068	9.406
3.9 %	3.8 %	3.8%	4.1%	4.0%	3.6%	3.5%	3.7%
(2.3)%	(2.2)%	8.7%	9.9%	10.4%	14.1%	15.1%	17.8%
(4.4)%	(3.9)%	14.1%	14.7%	17.2%	24.5%	24.5%	30.5%
59.2 %	48.9 %	42.5%	42.2%	43.6%	43.1%	36.5%	36.7%

\$ 1,623	\$ 1,587	\$ 1,808	\$ 2,176	\$ 2,328	\$ 1,953	\$ 2,065	\$ 1,959
1,680	1,595	1,554	1,516	1,559	1,529	1,552	1,661
3,202	3,215	3,395	3,536	3,579	3,640	3,645	3,475
611	540	486	653	798	839	875	854
50.0	52.7	53.3	51.0	50.7	55.9	52.0	51.0
122.5	125.1	87.9	87.7	93.0	97.2	104.6	111.1

(4) Included Temporary Equity in 1995-1999.

(5) Stockholders of record as reported by the transfer agent. The Company estimates that there were an additional 567,000 stockholders whose shares were held in nominee names at December 31, 2005.

The Dow Chemical Company and Subsidiaries
PART II, Item 7. Management's Discussion and Analysis of Financial
Condition and Results of Operation.

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FORWARD-LOOKING INFORMATION

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of The Dow Chemical Company and its subsidiaries ("Dow" or the "Company"). This section covers the current performance and outlook of the Company and each of its operating segments. The forward-looking statements contained in this section and in other parts of this document involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices and other factors as more fully discussed elsewhere and in filings with the U.S. Securities and Exchange Commission ("SEC"). These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company assumes no obligation to provide revisions to any forward-looking statements should circumstances change, except as otherwise required by securities and other applicable laws.

ABOUT DOW

Dow is a diversified, worldwide manufacturer of more than 3,200 basic and performance chemical, plastic, and agricultural products that serve numerous consumer markets, including food, transportation, health and medicine, personal and home care, and building and construction. Dow is the largest U.S. producer of chemicals and plastics, in terms of sales, with total sales of \$46 billion in 2005. The Company conducts its worldwide operations through global businesses, which are reported in six operating segments: Performance Plastics, Performance Chemicals, Agricultural Sciences, Plastics, Chemicals, and Hydrocarbons and Energy.

In 2005, the Company sold its products and services to customers in more than 175 countries throughout the world. Forty-three percent of the Company's sales were to customers in North America; 36 percent were in Europe; while the remaining 21 percent were to customers in Asia Pacific and Latin America. The Company employs approximately 42,000 people and has a broad, global reach with 156 manufacturing sites in 37 countries.

The Dow Chemical Company and Subsidiaries
PART II, Item 7. Management's Discussion and Analysis of Financial
Condition and Results of Operation.

2005 OVERVIEW

2005 was a year of tremendous achievement for Dow, as the Company set new records for sales and earnings despite an environment of persistently rising feedstock and energy costs, and the impact of two major hurricanes which caused significant disruption in Dow's operations on the U.S. Gulf Coast and logistics across the region. Continued global economic growth and favorable industry supply/demand balances provided support for margin expansion (i.e., the increase in the spread between selling prices and feedstock and energy costs). The benefits of solid industry fundamentals were supplemented by the Company's actions to improve its earnings and financial strength by continuing its focus on financial discipline and low cost to serve while investing for strategic growth.

As a result of these actions, sales increased 15 percent to \$46 billion, establishing a new sales record for the Company. Prices rose 17 percent, with substantial increases in all operating segments and all geographic areas. Volume declined 2 percent from last year's strong levels, in part because customers reduced inventories that were built during 2004, but also due to the disruption caused by two major hurricanes which temporarily reduced demand in the United States. Also contributing to the decline in volume were divestitures completed by the Company in 2004, principally those related to the formation of two joint ventures. Feedstock and energy costs remained high and volatile, increasing \$4.0 billion, or 26 percent, from 2004. Despite this increase in costs, the improvement in Dow's product prices resulted in an expansion in margin of \$2.9 billion, restoring a portion of previously lost margin.

The Company continued its focus on controlling expenses. Research and development, and selling, general and administrative expenses fell to 5.7 percent of sales, the lowest percentage in the Company's history. Despite the significant increase in the Company's sales, total structural costs (such as labor, materials and supplies, purchased services and travel costs) increased only slightly from 2004, after adjusting for the impact of currency. The Company reduced its workforce by 790 people, almost 2 percent, despite the addition of employees related to investments in new businesses and emerging geographies. Over the past three years, the Company has reduced its workforce by over 15 percent.

Capital expenditures were held below \$1.6 billion, \$307 million below depreciation, without sacrificing the efficiency, safety and environmental performance of Dow's manufacturing facilities. In addition, the Company's key environmental and safety measures continued to improve in 2005.

While the substantial increase in sales resulted in a \$1.4 billion increase in working capital, the Company maintained tight control of working capital ratios, reducing days-sales-outstanding-in-receivables from 40 days to 39 days, the lowest level in the Company's history. Days-sales-in-inventory was 59 days, slightly higher than the 57 days reached at the end of 2004, but below historical averages.

During 2005, the Company took a number of steps to maximize the value of its business and asset portfolio.

- In January 2005, Dow announced it had exercised its option to acquire certain assets (ethylene and chlorinated elastomers, including ENGAGE™, NORDEL™ and TYRIN™ elastomers) from DuPont Dow Elastomers L.L.C. ("DDE"), Dow's 50:50 joint venture with E.I. DuPont de Nemours and Company. The transaction, which closed on June 30, 2005, included the redemption of the Company's equity interest in DDE.
- In November 2004, Union Carbide sold an interest in EQUATE Petrochemical Company K.S.C. ("EQUATE") to National Bank of Kuwait. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer, which resulted in a pretax gain of \$70 million (reflected in "Sundry income – net") in the first quarter of 2005 and reduced Union Carbide's ownership interest from 45 percent to 42.5 percent.
- In November 2005, Union Carbide sold its indirect interest in UOP LLC ("UOP"), a 50:50 joint venture with Honeywell International, Inc., recording a pretax gain of \$637 million in the fourth quarter of 2005 (reflected in "Sundry income – net"). UOP is a supplier and licensor of process technology, catalysts, process plants and consulting services to the petroleum refining, petrochemical and gas processing industries. It was determined that UOP was not a strategic fit and therefore Union Carbide sold UOP to maximize the value of the business.
- During the year, the Company shut down a number of small, non-competitive facilities. In most instances, production was or will be shifted to more efficient facilities; in a few cases, the Company decided to exit a business because of inadequate financial returns.

With the significant improvements in the Company's earnings and financial position over the past two years, in July 2005 Dow's Board of Directors authorized the repurchase of up to 25 million of the Company's outstanding common shares over a period ending on December 31, 2007. The Company believes that a share repurchase program is a wise use of Dow's cash and supportive of its objective to maximize long-term shareholder value. In addition, during 2005, the Company contributed over \$1 billion to its pension plans and, in the fourth quarter, made a cash donation of \$100 million to The Dow Chemical Company Foundation to fund future contributions for education and community development in the communities in which Dow operates.

The Dow Chemical Company and Subsidiaries
PART II, Item 7. Management's Discussion and Analysis of Financial
Condition and Results of Operation.

2005 Overview – Continued

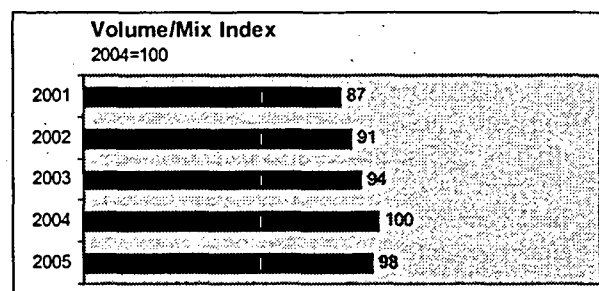
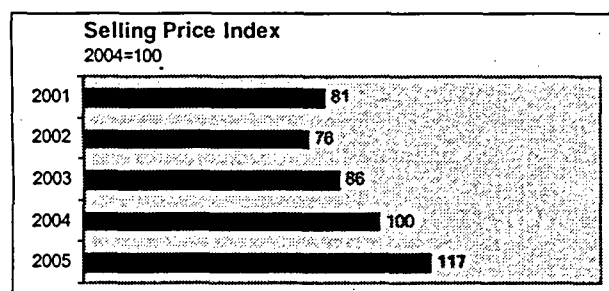
As a result of these actions and improved industry conditions, Dow reported record earnings and substantially reduced debt in 2005.

- Diluted earnings per common share were \$4.62 in 2005 (including the \$0.25 per share net favorable impact of gains on the sale of EQUATE shares and Union Carbide's indirect interest in UOP, the repatriation of foreign earnings under the American Jobs Creation Act of 2004, a cash donation for education and community development, restructuring activities, a loss on the early extinguishment of debt, an unfavorable tax ruling and a change in accounting principle) compared with \$2.93 in 2004 (which included a \$0.22 per share net gain for restructuring activities, a gain on the sale of the DERAKANE business and tax valuation adjustments).
- Total debt was reduced \$1.9 billion during 2005. The ratio of debt to total capitalization was 39.1 percent at the end of 2005, down from 47.9 percent at the end of 2004.

The Company's outlook for 2006 is positive, both for the chemical industry and for Dow, despite the uncertainty and volatility in feedstock and energy costs. Dow expects that worldwide demand for chemical and plastic products will continue to grow, led by Asia Pacific, Latin America and other emerging geographies, with solid contributions from North America and Europe. The Company will continue to focus on the implementation of its strategy, retaining its financial discipline and controlling the things it can control. Dow expects that its financial performance in 2006 will be better than in 2005.

RESULTS OF OPERATION

Dow reported record sales of \$46.3 billion in 2005, up 15 percent from \$40.2 billion in 2004 and 42 percent from \$32.6 billion in 2003. Compared with last year, prices rose 17 percent, with substantial increases in all operating segments and all geographic areas, while volume declined 2 percent. For 2005, prices were influenced by improved industry fundamentals, but they continued to be driven primarily by escalating feedstock and energy costs. In 2005, volume declined from the strong levels of 2004 as customers reduced inventories built during the latter part of 2004. Also contributing to the decline in volume were divestitures completed by the Company in 2004 and the disruption caused by two major hurricanes in the third quarter of 2005, which reduced demand in the United States during the second half of the year. In 2004, sales rose 23 percent compared with 2003, as prices improved 17 percent and volume grew 6 percent. The increase in prices, which was driven by increasing feedstock and energy costs and the favorable impact of currency in Europe (which accounted for approximately 4 percent of the increase in sales), was reported by all operating segments and all geographic areas. The increase in volume in 2004 reflected an improvement in economic conditions, with volume growth in all operating segments, except Hydrocarbons and Energy, and in all geographic areas. See Sales Price and Volume table at the end of the section entitled "Segment Results" for details regarding the change in sales.

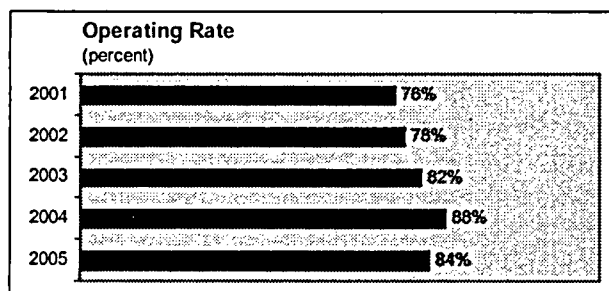


Sales in the United States accounted for 38 percent of total sales in 2005, compared with 37 percent in 2004 and 39 percent in 2003. Sales and other information by operating segment and geographic area are provided in Note U to the Consolidated Financial Statements. See Segment Results for a narrative discussion of results for each of the operating segments.

Gross margin for 2005 was \$8.0 billion, compared with \$5.9 billion in 2004 and \$4.4 billion in 2003. Compared with last year, gross margin improved \$2.1 billion, as an increase in selling prices of \$6.9 billion more than offset an increase of \$4.0 billion in feedstock and energy costs, as well as increases in the cost of other raw materials, and the impact of lower volume and reduced operating rates. Gross margin for 2004 improved \$1.5 billion compared with 2003, as an increase in selling prices of \$5.4 billion (including the favorable impact of currency), as well as volume growth and the impact of improved operating rates, more than offset an increase of \$3.4 billion in feedstock and energy costs and the negative impact of currency on costs.

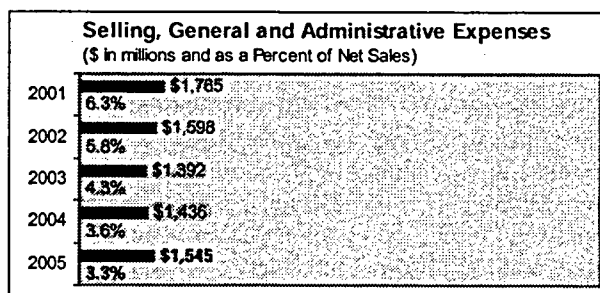
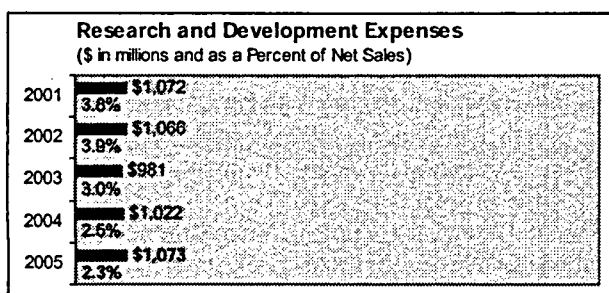
The Dow Chemical Company and Subsidiaries
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Dow's global plant operating rate (for its chemicals and plastics businesses) was 84 percent of capacity in 2005, down from 88 percent of capacity in 2004 and up from 82 percent of capacity in 2003. In 2005, Dow's operating rate declined as the Company actively managed inventory levels and completed planned maintenance turnarounds in the first half of the year, including turnarounds in ethylene oxide/ethylene glycol, polyethylene, acrylates and the Hydrocarbons and Energy business. In the second half of the year, the Company's operating rate declined due to hurricane-related shutdowns on the U.S. Gulf Coast during the third quarter and the lingering effects of the hurricanes on logistics and supply through the fourth quarter of 2005. In 2004, operating rates improved as the Company increased run rates to support increasing demand, reflecting improved economic conditions around the world. Depreciation expense was \$1,904 million in 2005 and 2004, compared with \$1,753 million in 2003.



Personnel count was 42,413 at December 31, 2005; 43,203 at December 31, 2004; and 46,372 at December 31, 2003. Headcount continued to decline in 2005, despite the addition of approximately 115 employees associated with the acquisition of businesses from DDE and growth in Dow's employee base in emerging geographies, as the Company remained focused on improving organizational efficiency and financial performance. In 2004, headcount continued to decline due to the Company's focus on its Action Plan, initiated in early 2003, and attrition.

Operating expenses (research and development, and selling, general and administrative expenses) totaled \$2,618 million in 2005, up 6.5 percent from \$2,458 million in 2004 and 10 percent from \$2,373 million in 2003. Research and development ("R&D") expenses were \$1,073 million in 2005, compared with \$1,022 million in 2004 and \$981 million in 2003. Selling, general and administrative ("SG&A") expenses were \$1,545 million in 2005, up from \$1,436 million in 2004 and \$1,392 million in 2003. SG&A expenses increased in 2005 in part due to an increase of approximately \$58 million in the allowance for doubtful receivables, reflecting the higher level of sales, unstable economic conditions in Brazil and increased risk in receivables related to higher energy costs. While the Company has realized savings from its ongoing restructuring activities, those savings have been offset by increases in salaries and fringe benefits, as well as the addition of operating expenses related to newly acquired businesses, new product development and growth in emerging geographies. Despite these increases, operating expenses as a percent of sales reached an all-time low of 5.7 percent in 2005. Operating expenses were 6.1 percent of sales in 2004 and 7.3 percent of sales in 2003.



The following table illustrates the relative size of the primary components of total production costs and operating expenses of Dow. More information about each of these components can be found in other sections of Management's Discussion and Analysis of Financial Condition and Results of Operation, Notes to the Consolidated Financial Statements, and Part II, Item 6. Selected Financial Data.

The Dow Chemical Company and Subsidiaries
PART II, Item 7. Management's Discussion and Analysis of Financial
Condition and Results of Operation.

Results of Operation – Continued

Production Costs and Operating Expenses			
Cost components as a percent of total	2005	2004	2003
Hydrocarbon feedstocks and energy	47%	43%	36%
Salaries, wages and employee benefits	13	13	14
Maintenance	3	3	4
Depreciation	5	5	6
Supplies, services and other raw materials	32	36	40
Total	100%	100%	100%

Amortization of intangibles was \$55 million in 2005, \$81 million in 2004 and \$63 million in 2003. The increase in amortization in 2004 was primarily due to the first quarter write-off of goodwill associated with Hampshire Chemical Corp.'s manufacturing facility in Nashua, New Hampshire, that produced HAMPOSYL™ surfactants. In the first quarter of 2004, the Company made the decision to discontinue production of HAMPOSYL™ surfactants and as a result, wrote off goodwill of \$13 million associated with this line of business in the Performance Chemicals segment. The manufacturing facility for this line of business was shut down in the third quarter of 2004; demolition of the facility was substantially completed in the fourth quarter of 2005. During the fourth quarter of 2005, the Company performed impairment tests for goodwill in conjunction with its annual planning and budgeting process. As a result of this review, it was determined that no goodwill impairments existed. See Notes F and H to the Consolidated Financial Statements for additional information regarding goodwill and other intangible assets.

In the fourth quarter of 2005, the Company recorded pretax charges totaling \$114 million related to restructuring activities, as the Company continued to focus on financial discipline and made additional decisions regarding noncompetitive and underperforming assets, as well as decisions regarding the consolidation of manufacturing capabilities. The charges included costs of \$67 million related to the closure of approximately 20 small plants around the world, losses of \$12 million on asset sales, the write-off of an intangible asset of \$10 million and employee-related expenses of \$25 million. The total of these charges is shown as "Restructuring activities – net charge (gain)" in the consolidated statements of income. The charges were recorded against the Company's operating segments as follows: \$28 million against Performance Plastics, \$14 million against Performance Chemicals, \$9 million against Agricultural Sciences, \$12 million against Plastics and \$3 million against Chemicals. Charges to Unallocated and Other amounted to \$48 million.

In the second quarter of 2004, the Company recorded a net pretax gain of \$20 million related to restructuring activities. The net impact of these transactions, shown as "Restructuring activities – net charge (gain)" in the consolidated statements of income, included gains totaling \$563 million related to the divestiture of assets in conjunction with the formation of two new joint ventures, MEGlobal and Equipolymers, substantially offset by asset impairments of \$99 million related to the future sale or shutdown of facilities; the recognition of a liability of \$148 million associated with a loan guarantee for Cargill Dow LLC ("Cargill Dow"), reflected in Unallocated and Other; and employee-related restructuring charges of \$296 million, reflected in Unallocated and Other. The gain related to MEGlobal was \$439 million and was reflected in the Chemicals segment. The gain for Equipolymers was \$124 million and was reflected in the Plastics segment. The employee-related restructuring charges included severance of \$225 million for a workforce reduction of 2,455 people and curtailment costs of \$71 million associated with Dow's defined benefit plans. For additional information, see Notes B and C to the Consolidated Financial Statements.

Dow's share of the earnings of nonconsolidated affiliates in 2005 was \$964 million, compared with \$923 million in 2004 and up substantially from \$322 million in 2003. Compared with 2004, equity earnings in 2005 reflected improved results from Dow Corning Corporation ("Dow Corning"), UOP and Siam Polyethylene Company Limited, the absence of equity losses from Cargill Dow, and a decline in equity earnings from EQUATE, The OPTIMAL Group ("OPTIMAL") and MEGlobal. On January 31, 2005, the Company exited Cargill Dow by transferring its 50 percent interest to the joint venture partner, Cargill, Incorporated (see Note B to the Consolidated Financial Statements). Equity earnings in 2004 increased from 2003 primarily due to stronger results from EQUATE, OPTIMAL, Dow Corning, Siam Polyethylene Company Limited, DDE, and UOP. In addition to these improvements in 2004, results for MEGlobal and Equipolymers were included in equity earnings for the first time in the third quarter of 2004. Equity earnings for 2004 also included the favorable impact of the recognition of investment tax allowances by one of the Company's joint ventures.

Sundry income - 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 for 2005 was \$755 million, up from \$136 million in 2004 and \$146 million in 2003. Sundry income for 2005 included a gain of \$637 million on the sale of Union Carbide's indirect 50 percent interest in UOP (reflected in the Performance Plastics segment) and a \$70 million gain (\$41 million reflected in the Chemicals segment; \$29 million reflected in the Plastics

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segment) on the sale of a portion of Union Carbide's interest in EQUATE in the first quarter of 2005. In November 2004, Union Carbide sold a 2.5 percent interest in EQUATE to National Bank of Kuwait for \$104 million. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer, which resulted in the first quarter gain and reduced Union Carbide's ownership interest from 45 percent to 42.5 percent. Sundry income for 2005 also included a cash donation in the fourth quarter of \$100 million to The Dow Chemical Company Foundation for aid to education and community development (reflected in Unallocated and Other) and a loss of \$31 million associated with the early extinguishment of \$845 million of debt. In 2004, sundry income included a gain of \$90 million on the sale of the DERAKANE epoxy vinyl ester resin business (reflected in the Performance Plastics segment) and a loss of approximately \$30 million on the sale of assets in the first quarter (reflected in Unallocated and Other). Sundry income in 2003 included several small gains on sales of non-strategic assets, including a gain of \$47 million on the sale of several product lines of Amerchol Corporation, a wholly owned subsidiary (reflected in the Performance Chemicals segment).

Net interest expense (interest expense less capitalized interest and interest income) was \$564 million in 2005, down from \$661 million in 2004 and \$736 million in 2003. Interest income was \$138 million in 2005, compared with \$86 million in 2004, reflecting higher levels of cash and cash equivalents and slightly higher interest rates. Interest income was \$92 million in 2003. Interest expense (net of capitalized interest) and amortization of debt discount totaled \$702 million in 2005, \$747 million in 2004 and \$828 million in 2003. Interest expense continued to decline in 2005, reflecting a significant reduction in total debt.

Income before income taxes and minority interests ("profit before tax") was \$6,399 million in 2005, up significantly from \$3,796 million in 2004 and \$1,751 million in 2003. In 2005, selling prices rose \$6.9 billion, equity earnings improved, gains were recognized on the sale of ownership interests in nonconsolidated affiliates, and net interest expense declined, more than offsetting the impact of higher feedstock and energy costs of \$4.0 billion, increased costs for other raw materials, lower volume and operating rates, higher operating expenses and restructuring charges, resulting in a substantial improvement in profit before tax. In 2004, selling prices rose \$5.4 billion (including the favorable impact of currency on sales), volume grew 6 percent overall and equity earnings improved significantly, offsetting the unfavorable impact of higher feedstock and energy costs of \$3.4 billion and the negative impact of currency on costs, resulting in a significant improvement in profit before tax compared with 2003.

The provision for income taxes was \$1,782 million in 2005, compared with \$877 million in 2004 and a credit for income taxes of \$82 million in 2003. In the second quarter of 2005, the Company finalized its plan for the repatriation of foreign earnings subject to the requirements of the American Jobs Creation Act of 2004 ("AJCA"), resulting in a credit to the provision for income taxes of \$113 million (see Notes A and T to the Consolidated Financial Statements). On January 23, 2006, the Company received an unfavorable tax ruling from the United States Court of Appeals for the Sixth Circuit reversing a prior decision by the United States District Court relative to corporate owned life insurance, resulting in a charge to the provision for income taxes of \$137 million in the fourth quarter of 2005. In the fourth quarter of 2004, the Company's provision for income taxes was reduced by tax benefits of \$146 million related to the revised estimate of the future utilization of operating loss carryforwards in Argentina, Italy and Brazil (\$101 million) and the impact of a legislated decrease in the tax rate in The Netherlands on deferred tax liabilities (\$45 million). In 2003, the Company's provision for income taxes was reduced by tax benefits of \$454 million related to the utilization of foreign tax credits (\$114 million), which had previously been reserved and would have otherwise expired, and revised estimates regarding the future utilization of operating loss carryforwards in Germany (\$340 million related to the reversal of Dow Olefinverbund GmbH's [formerly Buna Sow Leuna Olefinverbund ("BSL")] valuation allowance). Excluding these items, the effective tax rate was 27.5 percent in 2005, 26.9 percent in 2004 and 21.2 percent in 2003. The Company's effective tax rate fluctuates based on, among other factors, where income is earned and the level of income relative to tax credits available. For example, as the percentage of foreign sourced income increases, Dow's effective tax rate declines. Dow's tax rate is also influenced by equity earnings, since most of the earnings from the Company's equity companies are taxed at the joint venture level. The underlying factors affecting Dow's overall effective tax rates are summarized in Note T to the Consolidated Financial Statements.

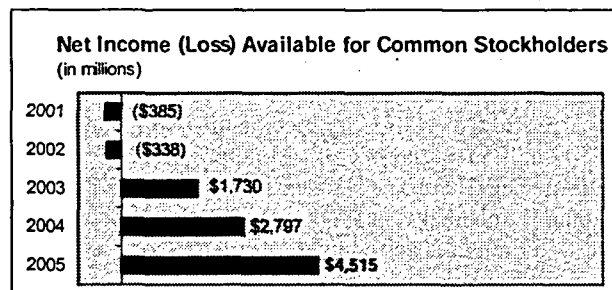
Minority interests' share in income was \$82 million in 2005, \$122 million in 2004 and \$94 million in 2003. During the first quarter of 2005, the Company purchased the remaining 28 percent of PBBPolisur S.A. for \$98 million, resulting in the decline in minority interests' share in income in 2005. The increase in minority interest in 2004 compared with 2003 was primarily due to improved results at PBBPolisur S.A.

Cumulative effect of changes in accounting principles included an after-tax charge of \$20 million in 2005 related to the adoption of FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," on December 31, 2005. Cumulative effect of changes in accounting principles included an after-tax charge of \$9 million in 2003 related to the adoption of Statement of Financial Accounting Standard ("SFAS") No. 143, "Accounting for Asset Retirement Obligations" in 2003. See Note A to the Consolidated Financial Statements for additional information regarding changes in accounting principles.

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Results of Operation – Continued

Net income available for common stockholders was \$4,515 million in 2005 (earnings of \$4.62 per share), compared with \$2,797 million in 2004 (earnings of \$2.93 per share) and \$1,730 million in 2003 (earnings of \$1.87 per share).



The following table summarizes the impact of certain items recorded in 2005, 2004 and 2003:

In millions, except per share amounts	Pretax Impact (1)			Impact on Net Income (2)			Impact on EPS (3)		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
2005 restructuring charges	\$ (114)	-	-	\$ (77)	-	-	\$ (0.08)	-	-
2004 restructuring net gain:									
Employee-related restructuring charges	-	\$ (296)	-	-	\$ (200)	-	-	\$ (0.21)	-
Gains on divestitures of assets related to formation of MEGlobal and Equipolymers joint ventures	-	563	-	-	379	-	-	0.40	-
Asset impairments	-	(99)	-	-	(69)	-	-	(0.08)	-
Recognition of liability related to Cargill Dow loan guarantee	-	(148)	-	-	(93)	-	-	(0.10)	-
Gain on sale of EQUATE shares	70	-	-	46	-	-	0.05	-	-
Gain on sale of interest in UOP	637	-	-	402	-	-	0.41	-	-
Loss on early extinguishment of debt	(31)	-	-	(20)	-	-	(0.02)	-	-
Cash donation for aid to education and community development in 4Q05	(100)	-	-	(65)	-	-	(0.07)	-	-
Gain on sale of DERAKANE business	-	90	-	-	57	-	-	0.06	-
AJCA repatriation of foreign earnings	-	-	-	113	-	-	0.12	-	-
Unfavorable tax ruling	-	-	-	(137)	-	-	(0.14)	-	-
Reversal of tax valuation allowances and impact of change in tax rate on deferred tax liabilities	-	-	-	-	146	-	-	0.15	-
Reversal of tax valuation allowances	-	-	-	-	-	\$454	-	-	\$ 0.49
Cumulative effect of changes in accounting principles	-	-	-	(20)	-	(9)	(0.02)	-	(0.01)
Total	\$ 462	\$ 110	-	\$ 242	\$ 220	\$445	\$ 0.25	\$ 0.22	\$ 0.48

(1) Impact on "Income before Income Taxes and Minority Interests"

(2) Impact on "Net Income Available for Common Stockholders"

(3) Impact on "Earnings per common share - diluted"

SEGMENT RESULTS

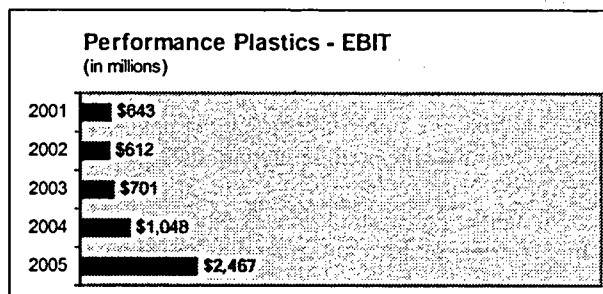
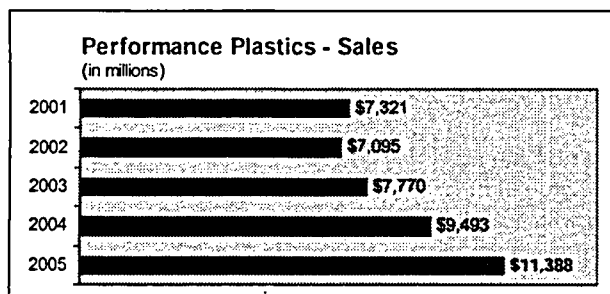
The Company uses EBIT (which Dow defines as earnings before interest, income taxes and minority interests) as its measure of profit/loss for segment reporting purposes. EBIT includes all operating items relating to the businesses and excludes items that principally apply to the Company as a whole. Additional information regarding the Company's operating segments and a reconciliation of EBIT to "Net Income Available for Common Stockholders" can be found in Note U to the Consolidated Financial Statements.

PERFORMANCE PLASTICS

Performance Plastics sales increased 20 percent to \$11.4 billion in 2005, compared with \$9.5 billion in 2004. Sales were \$7.8 billion in 2003. Compared with 2004, prices rose 19 percent while volume increased 1 percent in 2005. Beginning July 1, 2005, sales of ENGAGE™, NORDEL™ and TYRIN™ elastomers were reported as part of the Performance Plastics

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segment. These products were acquired by the Company when it divested its interest in DDE on June 30, 2005 (see Notes G and K to the Consolidated Financial Statements). Excluding the acquisition of these products and the divestiture of the DERAKANE epoxy vinyl ester resin business in December 2004, volume declined 2 percent in 2005. In 2004, volume increased 12 percent over 2003, while prices increased 10 percent, including the favorable impact of currency in Europe, which accounted for approximately 4 percent of the increase in sales.



EBIT for the segment was \$2.5 billion in 2005 compared to \$1.0 billion in 2004 and \$701 million in 2003. Results for 2005 included a pretax gain of \$637 million related to Union Carbide's sale of its indirect 50 percent interest in UOP to a wholly owned subsidiary of Honeywell International, Inc. (see Note G to the Consolidated Financial Statements). Excluding this gain, EBIT improved in 2005 as higher prices and improved equity earnings more than offset a significant increase in raw material costs and the impact of lower operating rates, resulting in some restoration in margins. EBIT in 2005 was negatively impacted by charges totaling \$28 million for restructuring activities in the fourth quarter of 2005 related to the closure of six small manufacturing facilities. In 2004, EBIT included a gain of \$90 million related to the sale of the DERAKANE epoxy vinyl ester resin business to Ashland Specialty Chemicals. Excluding the gain on the sale of the DERAKANE business, EBIT in 2004 improved over 2003 due to higher prices and stronger volumes.

Building and Construction sales for 2005 were up 10 percent from 2004, due to a 7 percent increase in prices and a 3 percent increase in volume, setting a new yearly sales record. Compared with last year, the increase in sales was led by STYROFOAM™ insulation as sales of new homes in North America continued at a high level and southern and eastern Europe experienced strong growth in residential construction. Compared with last year, EBIT increased as improvements in both price and volume offset increases in raw material costs and operating expenses.

Dow Automotive sales increased 13 percent versus 2004, with prices rising 11 percent and volume increasing 2 percent. Demand improved in geographic areas outside of the United States, reinforcing the value of Dow's global position in this industry. Volume exceeded the industry growth rate due to the successful differentiation of Dow products, and an increase in the production of cars for which Dow products are specified. In 2005, EBIT for the business improved principally due to higher prices, improved volume, and strict cost discipline, partially offset by the impact of increased raw material costs. In 2005, as part of the Company's restructuring activities, plants were shut down in Nuneaton, United Kingdom; Dillenberg, Germany; and Hermosillo, Mexico in order to reduce structural costs and improve operating efficiencies.

Engineering Plastics sales for the year were up 21 percent, reflecting a 21 percent increase in prices. Volume was unchanged. Prices were driven by higher feedstock costs and tight industry supply/demand balances for polycarbonate. Volume improved for polycarbonate, driven by strong demand in optical media, sheet and security applications. This higher volume was offset by the absence of the revenue from a technology license, which was included in sales for 2004. In 2005, EBIT for the business improved significantly versus 2004 primarily due to higher selling prices, which more than offset increased raw material costs, and improved equity earnings from LG Dow Polycarbonate Limited.

Sales for Epoxy Products and Intermediates in 2005 increased 16 percent, reflecting a 24 percent increase in prices and an 8 percent decrease in volume compared with last year. Prices increased in all geographic areas, as the business focused on recovering margin lost to high raw material costs. Volume declined for most products due to the Company's efforts to improve margins. EBIT improved in 2005 versus 2004 due to higher selling prices and productivity improvements from the consolidations of production and research facilities in 2004.

Polyurethanes and Thermoset Systems sales for 2005 increased 19 percent over the prior year. Prices increased 23 percent, with improvements in all major products. Volume declined 4 percent, due in part to the sale of the DERAKANE business. Volume improved in Thermoset Systems, while volume for polyurethane component products declined, due to some softness in industry demand and a strategic shift to sell a higher percentage of these products through the Thermoset Systems business. EBIT in 2005 improved from the prior year as higher prices more than offset the decline in volume and the impact of higher raw material costs. In 2004, EBIT was negatively impacted by the write-down of the net book value of the Company's polyols production facility in Priolo, Italy (\$22 million), following Dow's decision to close the facility (see

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Segment Results – Continued

Note F to the Consolidated Financial Statements) and positively impacted by a gain of \$90 million on the sale of the DERAKANE epoxy vinyl ester resin business in the fourth quarter of 2004.

Technology Licensing and Catalyst sales for 2005 were down 13 percent versus the prior year. Results for 2004 included higher sales related to technology licenses to several of the Company's joint ventures, including MEGlobal and EQUATE. EBIT in 2005 was significantly higher than 2004 principally due to a gain of \$637 million on the sale of Union Carbide's indirect 50 percent interest in UOP in the fourth quarter of 2005 (see Note G to the Consolidated Financial Statements). Excluding this gain, EBIT for 2005 declined as the negative impact of lower sales more than offset an increase in equity earnings from the Company's joint ventures.

Sales for Wire and Cable in 2005 increased 22 percent compared with last year. Prices rose 18 percent with increases in all geographic areas. Volume increased 4 percent with especially strong growth in Europe. There was a significant improvement in industry utilization rates in North America and Europe which resulted in improved margins. EBIT improved in 2005 as higher prices and strong demand more than offset the impact of higher polyethylene costs.

Performance Plastics Outlook for 2006

Performance Plastics sales are expected to increase as continued improvement in global economic conditions increases demand for these products. Additional industry capacity for some products may limit the ability of these businesses to raise prices, resulting in downward pressure on margins. Raw material costs are expected to increase in line with underlying feedstock and energy costs.

Building and Construction expects strong volume growth in Europe and more modest growth in North America and Asia Pacific. The Company expects to expand capacity for STYROFOAM™ insulation by debottlenecking several production facilities in Europe and completing the construction of a new manufacturing facility in Russia. Several competitors are also expected to add extruded polystyrene capacity. Pricing is expected to increase at a modest rate to maintain margins against rising raw material prices. The business plans to increase its investment in R&D in 2006 to improve process and product technology.

Dow Automotive expects sales to increase in 2006 versus 2005 due to price increases, continued growth with the existing customer base, and anticipated geographic growth. New plants under construction in Midland, Michigan, and Schkopau, Germany, are expected to open in late 2007 or early 2008. These facilities will replace capacity at older, less efficient plants, which are expected to close when the new facilities become operational.

In 2006, Engineering Plastics volume is expected to remain flat with 2005 in part reflecting a moderating growth rate for polycarbonate in optical media applications. Prices are expected to remain flat or decline slightly as industry supply becomes more balanced with demand. Margins are expected to remain stable with some downward pressure from increased competition.

Epoxy Products and Intermediate sales for 2006 are expected to increase due to anticipated increases in volume and prices, driven by high feedstock costs and a tighter supply/demand balance in the second half of the year. In the first quarter of 2006, the Company plans to close its synthetic glycerin plant in Freeport, Texas, due to low demand in Asia Pacific and the Americas.

Polyurethanes and Thermoset Systems volume is expected to grow with the industry in 2006. Methylene diphenyl diisocyanate prices are expected to decline as a result of new industry capacity coming on line. Toluene diisocyanate supply and demand are expected to remain balanced for 2006 due to increasing demand and industry plant closures in 2005.

In 2006, Technology Licensing and Catalyst principal growth opportunities will continue to be in Asia Pacific, the Middle East and Russia. General market conditions are expected to remain similar to those in 2005.

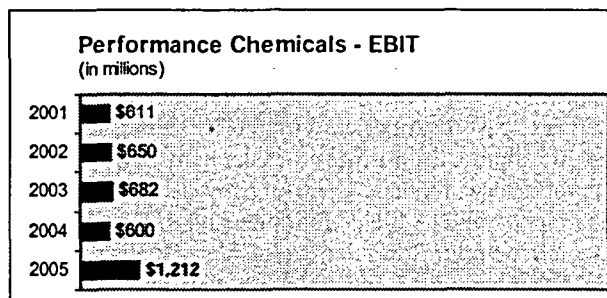
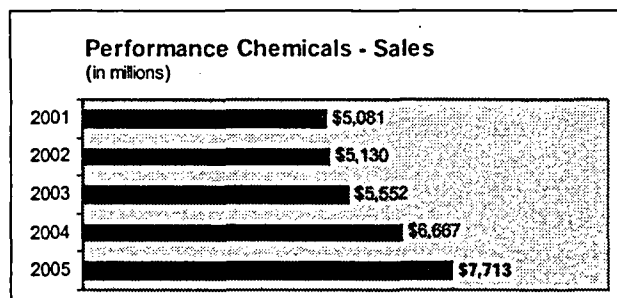
Wire and Cable volume is expected to grow, with margins comparable to 2005. Increased demand is expected as a result of the recovery efforts related to hurricane damage on the U.S. Gulf Coast and infrastructure construction in developing countries.

PERFORMANCE CHEMICALS

Performance Chemicals sales increased 16 percent to \$7.7 billion in 2005, compared with \$6.7 billion in 2004 and \$5.6 billion in 2003. Compared with 2004, prices rose 18 percent, while volume declined 2 percent. Prices increased, supported by continued tight industry supply/demand balances for several businesses, as the Company focused on restoring margins in the face of higher raw material costs. The decline in volume was due in part to lower demand for certain products in paint and coatings applications, the impact of the U.S. Gulf Coast hurricanes, and weak demand within the paper industry for much of the year. In 2004, volume increased 11 percent from 2003, due in part to the acquisition of the acrylates business from Celanese AG on February 2, 2004. Prices rose 9 percent from 2003 to 2004 due to the same factors that continued to drive price increases in 2005.

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EBIT for 2005 was \$1.2 billion compared with \$600 million in 2004 and \$682 million in 2003. EBIT in 2005 improved as higher selling prices more than offset increased raw material and energy costs and the impact of lower volume. In 2005, EBIT was negatively impacted by charges totaling \$14 million for restructuring activities in the fourth quarter of 2005 related to the closure of five small manufacturing facilities. In 2004, EBIT was negatively impacted by charges of \$111 million for asset impairments as follows: a \$60 million write-down of the Company's contract manufacturing plant in Smithfield, Rhode Island, which was shut down in the third quarter of 2004; a \$21 million partial write-down of a Specialty Polymers business; an \$8 million write-off of a latex manufacturing facility, which was shut down in the second quarter of 2004; and \$22 million related to the shutdown of Hampshire Chemical Corp.'s Nashua, New Hampshire, manufacturing site. See Notes F and H to the Consolidated Financial Statements for additional information regarding the 2004 asset impairments. Excluding these items, EBIT for 2004 was up from 2003 as volume growth and higher selling prices more than offset the impact of increased feedstock costs. EBIT for 2003 was favorably impacted by a gain of \$47 million on the sale of several product lines of Amerchol Corporation, a wholly owned subsidiary.



Acrylics and Oxide Derivatives sales were up 25 percent versus 2004, as prices increased 31 percent and volume declined 6 percent. Prices rose due to tight supply/demand balances across all product lines and rising raw material and energy costs. Acrylics and Oxide Derivatives volume declined due to de-stocking of customer inventories in the first half of the year and the impact of hurricanes Katrina and Rita on plant operations in the third and fourth quarters. EBIT in 2005 improved from 2004 as higher selling prices overcame an increase in raw material costs and the decline in volume.

Dow Latex sales were up 19 percent versus 2004, with prices increasing 20 percent and volume declining 1 percent. Prices for styrene-butadiene latex sold into the coated paper and carpet industries were up in most geographic areas, driven by increased styrene monomer costs. While volume of acrylic latexes sold to key paint manufacturers in North America and Europe improved, this gain was offset by a decline in volume for styrene-butadiene latex due in part to weak demand within the paper industry globally, which was exacerbated by an extended strike in the paper industry in Finland. EBIT in 2005 improved significantly over 2004 as higher selling prices helped restore margins. In 2004, EBIT was reduced by an \$8 million write-off of a latex manufacturing facility.

Specialty Chemicals sales were up 11 percent versus 2004, with a 12 percent increase in prices, and a 1 percent decline in volume, as the business sought to maximize margins through price/volume management. Price increases were driven by limited raw material availability and sharply higher propylene- and ethylene-based raw material costs. EBIT in 2005 improved over 2004 as higher selling prices more than offset higher raw material costs. EBIT in 2004 was reduced by charges related to the shutdown of Hampshire Chemical Corp.'s Nashua, New Hampshire, manufacturing site. The charges included a \$9 million write-down of the net book value of the facility and a \$13 million write-off of goodwill.

Specialty Polymers sales in 2005 were up 4 percent versus 2004, with prices increasing 2 percent and volume increasing 2 percent. Sales were strong for ANGUS Chemical Company's products, biocides, CELLOSIZETM cellulose ethers, FILMTECTM membranes and METHOCELTM cellulose ethers, with a decline in North America and modest improvements in Europe supplemented by significantly higher demand in Asia Pacific and Latin America. EBIT in 2005 improved over 2004 as higher prices and higher volumes more than offset higher raw materials costs. EBIT in 2004 was reduced by a \$21 million write-down of a Hampshire Chemical Corp. business in the second quarter of 2004.

Performance Chemicals Outlook for 2006

Performance Chemicals expects continued growth in 2006, as global economic conditions remain solid and raw material cost increases moderate. Prices are expected to show modest improvement in 2006 reflecting good industry fundamentals. EBIT is also expected to improve in 2006 due to slightly higher volumes, improved pricing and higher operating rates. However, uncertainty remains due to the volatility of feedstock and energy costs.

Prices for Acrylics are expected to decline in 2006 as industry supply/demand balances move from tight to balanced. Oxide Derivatives prices and margins are expected to remain at good levels due to tight industry supply/demand fundamentals.

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Segment Results – Continued

Volume for Dow Latex is expected to grow slightly in 2006, with a recovery in paper industry demand and growth in demand for architectural coatings. Prices, which increased significantly in 2005, are expected to move in line with raw material costs.

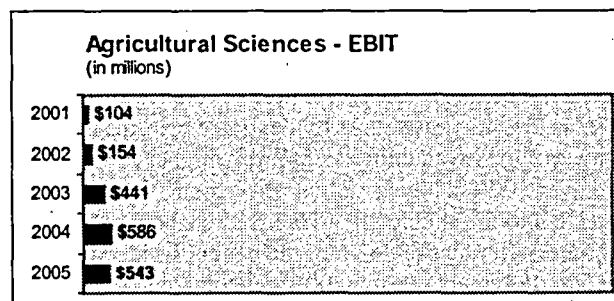
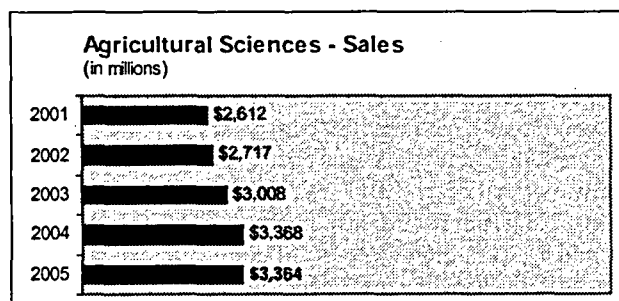
Specialty Chemicals prices are expected to be slightly higher than 2005 full-year average prices due to raw material and energy cost pressures. Industry demand is expected to grow in line with global GDP growth.

Specialty Polymers sales are expected to increase in 2006, primarily driven by increased volume. Margins are expected to increase slightly and expectations are for continued strength across the major end uses for these products.

AGRICULTURAL SCIENCES

Sales for Agricultural Sciences were \$3.4 billion in 2005, unchanged compared with record sales in 2004. Sales were \$3 billion in 2003. Volume declined 3 percent versus 2004, while prices improved 3 percent, including the favorable impact of currency, which accounted for approximately one third of the increase in prices. Volume decreased as lower insect pressure in several regions and increased use of competing technologies in cotton resulted in lower demand for insecticides. Market challenges from herbicide resistant traits in corn and soybeans negatively impacted selective herbicide volumes in Latin America and North America. Volume in Brazil fell due to lower soybean herbicide sales and challenging economic conditions. In addition, the business exited a number of low margin products as part of a strategy to focus resources on more profitable proprietary products. The Company successfully launched a number of new products including penoxulam rice herbicide, aminopyralid herbicide for range and pasture, and WIDESTRIKE™ insect protection trait for cotton. Sales continued to ramp up for florasulam herbicides, HERCULEX™ I insect protection traits for corn, and gamma cyhalothrin insecticide. Other herbicides, including mixtures for cereal grains, saw growth over 2004, mitigating declines in some mature product lines. In 2004, sales volume grew 9 percent versus 2003, while prices improved 3 percent, primarily due to the favorable impact of currency in Europe. Favorable farm commodity prices resulted in increased demand for crop protection chemicals, both for increased acreage planted and for improved yields on existing acreage.

EBIT in 2005 was \$543 million versus \$586 million in 2004 and \$441 million in 2003. EBIT declined in 2005 as lower operating rates and increased raw material and energy costs compressed margins. EBIT in 2005 was negatively impacted by charges totaling \$9 million for restructuring activities in the fourth quarter of 2005 related to the closure of five small manufacturing facilities. Research and development expenses were up in 2005 as the business invested in the Company's new business platform in healthy oils and in new technologies, including expenses related to a long-term research agreement with Sangamo BioSciences, Inc. In addition, selling expenses increased, due principally to new product launch efforts. EBIT improved in 2004 versus 2003 due to volume increases and operational efficiencies.



Agricultural Sciences Outlook for 2006

Agricultural Sciences sales and operational results for 2006 are expected to be similar to those achieved in 2005. The expected return of insect pressure to more normal levels should be favorable for insecticide demand. Sales of penoxulam and aminopyralid herbicides are expected to rapidly ramp up and new formulations of cereal herbicides are showing good growth potential. Growth in these products is expected to mitigate a decline in some of the Company's mature product lines, which may be impacted by increasing use of new technologies for crop protection.

Growth is also anticipated in seeds and insect resistant traits, as the Company continues to introduce new products. In corn, the anticipated launch of HERCULEX™ RW and HERCULEX™ XTRA will complement the growing sales of HERCULEX™ I insect protection for corn. Cotton seed sales are expected to strengthen with a ramp-up in the launch of WIDESTRIKE™ insect protection for cotton. The growing demand for heart-healthy oils will likely result in an increase in acres planted with NEXERA™ seed for NATREON™ canola oil, as well as increased sunflower acreage. On January 18, 2006, the Company and Monsanto Company announced a global business agreement that establishes cooperative

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arrangements that allow for cross licenses of intellectual property and product licenses in corn, soybeans and cotton technologies. This agreement is expected to create new and growing product and license opportunities for the Company.

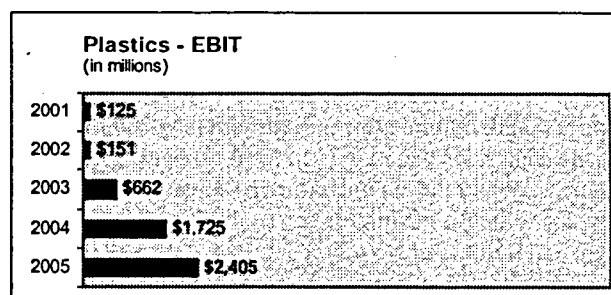
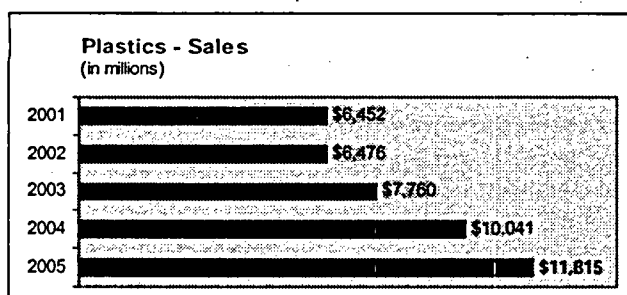
High fertilizer and fuel prices and the current low level of farm commodity prices, however, are creating uncertainty for the 2006 season, particularly for U.S. and Brazilian farmers. Energy and raw material costs will continue to pressure margins for the industry, and generic products are expected to challenge key markets.

PLASTICS

Sales for the Plastics segment were \$11.8 billion in 2005, up 18 percent from \$10.0 billion in 2004. Sales were \$7.8 billion in 2003. Prices increased 18 percent in 2005, compared with 2004, while volume was unchanged. The increase in selling prices reflected the significantly higher feedstock and energy costs seen in 2005, as well as solid customer demand. Volume was negatively impacted by customer inventory de-stocking in the first half of 2005 and by the effects of two hurricanes which caused Dow's U.S. Gulf Coast manufacturing facilities to be temporarily shut down. Compared with last year, volume was also reduced by the mid-2004 formation of Equipolymers, a 50:50 joint venture with Petrochemical Industries Company ("PIC"). Beginning July 1, 2004, sales of purified terephthalic acid ("PTA") and polyethylene terephthalate ("PET") resins are reflected in the operating results of the joint venture. Excluding the impact of the formation of Equipolymers, Plastics volume increased by 1 percent. Synthetic rubber volume declined in Europe, compared with last year, as a result of the Company's decision to idle its production facility in Pernis, The Netherlands, in the second quarter of 2004. Sales in 2004 were higher than 2003 as prices improved 24 percent and volume increased 5 percent. The increase in prices reflected significantly higher feedstock and energy costs in 2004, as well as improved customer demand. Volume increased in 2004 due to improving global economic conditions.

EBIT for 2005 was \$2.4 billion, up from \$1.7 billion in 2004 and \$662 million in 2003. EBIT improved as higher selling prices and improved equity earnings, resulting from the advantaged ethylene feedstock position of EQUATE, more than offset increased feedstock and energy costs. EBIT in 2005 includes a gain of \$29 million associated with the sale of EQUATE shares and a gain of \$31 million associated with the divestiture of Dow's interest in DDE and the acquisition of certain DDE assets. On January 3, 2005, the Company announced it had exercised its option to acquire certain assets (ethylene and chlorinated elastomers, including ENGAGE™, NORDEL™, and TYRIN™ elastomers) from DDE. The transaction was completed during the second quarter of 2005. See Notes G and K to the Consolidated Financial Statements for information regarding the transaction. EBIT in 2005 also includes restructuring charges totaling \$12 million in the fourth quarter of 2005.

These charges were related to the dissolution of DDE and the closure of a small manufacturing facility. In 2004, EBIT was up from 2003 as higher selling prices and improved equity earnings offset the impact of higher feedstock and energy costs. EBIT in 2004 was favorably impacted by a gain of \$124 million on the sale of a 50 percent interest in Dow's PET/PTA business in conjunction with the formation of Equipolymers.



Polyethylene sales increased 23 percent in 2005 as prices increased 22 percent and volume increased 1 percent. Prices rose in response to significantly higher feedstock and energy costs and supply issues in the United States that resulted from the hurricane-related production outages. Volume improved slightly over the strong levels that were reported in 2004 despite significant customer inventory de-stocking in the first half of the year. A new family of hexene-based linear low density polyethylene resins was introduced in 2005 in order to provide customers with an alternative price/performance offering. EBIT improved significantly in 2005 as increased selling prices and improved equity earnings from EQUATE and Siam Polyethylene Company Limited more than offset higher feedstock and energy costs.

Polypropylene sales increased 18 percent in 2005 as prices improved 20 percent and volume declined 2 percent. Polypropylene prices rose in 2005 due to significantly higher propylene costs and a continuing high level of customer demand. The decline in volume was seen primarily in North America where two hurricanes caused the shutdown of Dow's polypropylene facilities along the U.S. Gulf Coast during the third quarter. Union Carbide's operations in Hahnville, Louisiana, were down for approximately one month, resulting in a declaration of *force majeure* for this location. In 2005, EBIT improved slightly from 2004 as higher prices kept pace with increased raw material costs.

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Segment Results – Continued

Polystyrene sales increased 16 percent in 2005 as prices improved 11 percent and volume increased 5 percent. Prices increased in all geographic areas with the largest gains reported in North America as the business responded to higher energy costs and limited styrene monomer availability due to the hurricanes. Although volume declined in North America, it was up solidly in the other geographic areas. During the third quarter of 2005, the business declared *force majeure* for products from its North American plants due to the limited availability of styrene monomer. EBIT improved significantly over 2004 as the increase in prices offset the higher styrene monomer and hurricane-related costs. In the third quarter of 2005, the business announced plans to shut down the polystyrene plant in Barry, United Kingdom, at the end of the year due to underutilization. Customers will be supplied by other Dow plants in Europe.

Plastics Outlook for 2006

Feedstock and energy costs are expected to remain at high levels during 2006, providing support for maintaining or increasing prices. In 2006, demand is expected to increase for most products; margins are expected to be somewhat higher than in 2005.

Polyethylene volume is expected to improve in 2006 as demand is expected to remain strong in all geographic areas. Although there may be significant variations from quarter to quarter, margins are expected to be similar to those in 2005 as selling prices continue to reflect the high underlying feedstock and energy costs and strong industry fundamentals. Global industry operating rates are expected to remain at high levels during 2006.

Polypropylene volume is expected to increase in 2006, compared with volume in 2005 that was reduced by hurricane-related outages, as demand remains strong. Although Dow's production facilities are running at near capacity, volume is expected to improve slightly as process improvements enable increased production. While industry capacity is expected to increase in 2006, demand is expected to improve at a higher rate, thus overall industry fundamentals are expected to improve slightly.

Polystyrene volume should improve in 2006 as demand is expected to experience strong growth. Prices are also expected to remain high given the continued high cost of styrene monomer. The industry is expected to be highly competitive as both polystyrene capacity and styrene monomer supply are expected to be sufficient to meet demand, which may result in downward pressure on margins. Equity earnings are expected to improve slightly due to anticipated growth in Asia Pacific.

CHEMICALS

Chemicals sales were \$5.7 billion in 2005, compared with \$5.5 billion in 2004 and \$4.4 billion in 2003. Prices rose 17 percent versus 2004 with all major products experiencing increases in 2005. Volume was down 13 percent in 2005 due to disruptions on the U.S. Gulf Coast caused by hurricanes Katrina and Rita, as well as the formation of MEGlobal (a 50:50 joint venture with PIC) in the second quarter of 2004. Beginning on July 1, 2004, certain sales of ethylene glycol ("EG") were sourced through that joint venture. Excluding the decline in volume related to the formation of MEGlobal, Chemicals volume was down 5 percent compared with 2004. In 2004, prices increased 22 percent, driven by higher feedstock and energy prices, and volume grew 3 percent versus 2003.

Caustic soda sales were up 74 percent driven by price improvement of 80 percent and a 6 percent decline in volume. Prices increased with the support of high industry operating rates and rapidly escalating energy costs, while volume declined primarily due to increased internal consumption. Vinyl chloride monomer ("VCM") sales were up 8 percent with prices up 12 percent and volume down 4 percent. Prices rose sharply in the fourth quarter of 2005, particularly in the United States, due to severe industry disruptions caused by the hurricanes. VCM volume declined in 2005 as the polyvinyl chloride ("PVC") industry, the major end-use product for VCM, depleted the inventory built during the second half of 2004. In the third quarter of 2005, the Company ceased production of ethylene dichloride and reduced VCM production at its Oyster Creek, Texas facility, as announced in November 2004.

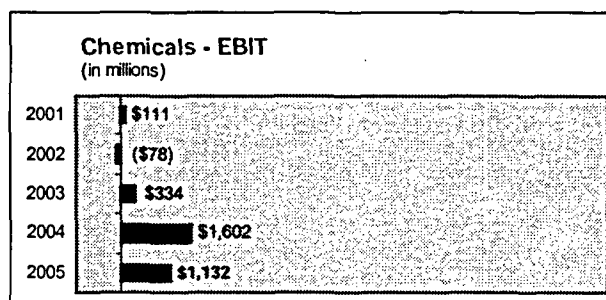
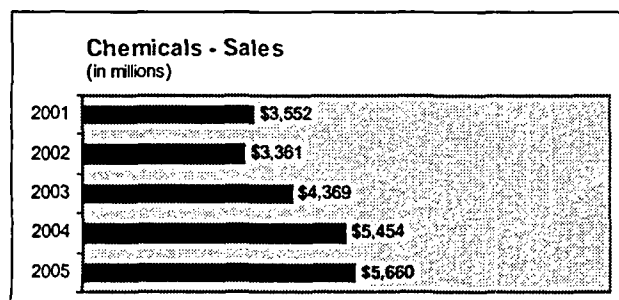
EG sales declined 31 percent principally due to the formation of MEGlobal. Excluding the impact of MEGlobal, sales of EG declined 6 percent, due to an 8 percent decline in volume and a 2 percent increase in price. Prices softened in the first half of 2005 as a result of lower demand principally in the Asian polyester industry. Prices stabilized mid-year and then improved in the second half as supply and demand became more balanced and the hurricanes caused widespread industry disruptions on the U.S. Gulf Coast.

Solvents and Intermediates sales were up 11 percent due to a 26 percent increase in prices and a 15 percent decline in volume. Price improvement was driven by significant increases in feedstock and energy costs along with improved industry fundamentals. Sales volume was down primarily due to the Company's exit of the industrial ethanol business in the second quarter of 2004.

EBIT was \$1.1 billion in 2005 compared with \$1.6 billion in 2004 and \$334 million in 2003. Results for 2005 included a gain of \$41 million associated with the sale of EQUATE shares, as well as a restructuring charge of \$3 million in the fourth

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quarter of 2005 related to the closure of a small manufacturing facility. Results for 2004 included a \$439 million gain from the second quarter sale of assets associated with the formation of MEGlobal (see Note C to the Consolidated Financial Statements). Excluding these items from both periods, 2005 EBIT was down slightly from 2004 as price increases were not sufficient to offset the impact of sharply higher feedstock and energy costs; the impact of lower volume and lower equity earnings due to unplanned outages at joint venture facilities also reduced EBIT in 2005. EBIT in 2004 benefited from a combination of improved volume, price, operating rate and equity earnings that offset the impact of higher feedstock and energy prices.



Chemicals Outlook for 2006

Caustic soda sales are expected to be flat with volume improving and price declining slightly. Relatively high caustic soda prices in North America, driven by the high cost of energy in the region, may attract additional import volumes from Asia Pacific and Europe in 2006. Operating rates are forecast to remain high across the industry in 2006, enabling continued healthy margins despite high feedstock and energy costs.

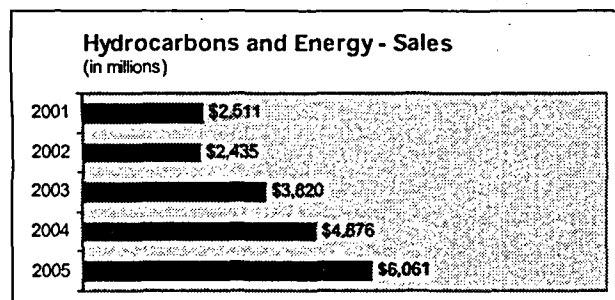
VCM margins are also expected to continue at strong levels in 2006 due to high industry operating rates. Prices are forecast to increase as a result of higher feedstock and energy costs while volume is expected to decline due to the expiration of a VCM supply contract and the Company's decision to reduce VCM production. In November 2002, the Company announced plans to cease production of VCM at the Fort Saskatchewan, Alberta, Canada plant by the end of 2005. This shutdown will be completed during the first half of 2006.

EG pricing is expected to remain near current levels in 2006, but may decline somewhat as additional industry capacity comes on-line. Additional EG industry capacity is scheduled to start up in 2006, although the timing of some projects is uncertain. Volume is expected to improve in 2006 due to continued solid industry fundamentals, absence of the hurricane-related outages of 2005, and fewer scheduled maintenance turnarounds at the Company's facilities. Equity earnings, however, are expected to be lower in 2006 due to an increase in planned maintenance turnarounds at the Company's joint ventures.

Solvents and Intermediates pricing is expected to be driven by anticipated increases in propylene costs. Sales volumes are expected to improve slightly and margins should remain solid in 2006 despite continued high feedstock and energy costs, as no new industry capacity is scheduled to come on-line in 2006.

HYDROCARBONS AND ENERGY

Hydrocarbons and Energy sales were \$6.1 billion in 2005 compared with \$4.9 billion in 2004 and \$3.8 billion in 2003. In 2005, prices increased 22 percent while volume increased 2 percent from 2004. Prices improved following the rise in crude oil, natural gas and feedstock costs and with a continued tightening of the supply/demand balance for certain hydrocarbon products. Volume increased due to higher sales of refined products related to improved operations at the supplying refinery as well as increased sales of ethylene to MEGlobal. In 2004, prices were up 30 percent and volume declined 2 percent from 2003. Prices improved, driven by higher crude oil and natural gas costs, as well as stronger industry demand.

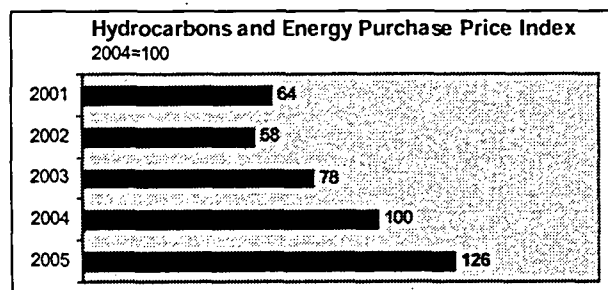


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Segment Results - Continued

The Hydrocarbons and Energy business transfers materials to Dow's derivative businesses at cost. EBIT in 2005 was a loss of \$1 million compared with \$0 in 2004 and income of \$6 million in 2003.

Compared with 2004, the Company's cost of purchased feedstocks and energy in 2005 rose approximately \$4.0 billion or 26 percent due to price. Derivatives of crude oil and natural gas are used as feedstocks for the Company's ethylene production facilities, while natural gas is used as fuel. Crude oil prices increased for much of the year. On average, 2005 prices were \$16 per barrel higher than 2004 levels. North American natural gas prices trended upward throughout the year. For the year, North American natural gas prices were approximately \$2 per million Btu higher, an increase of approximately 35 percent compared with 2004.



Hydrocarbons and Energy Outlook for 2006

Crude oil and natural gas prices are expected to increase during 2006 compared with 2005. Raw material prices are expected to remain highly volatile. Overall, hydrocarbons and energy prices are expected to be above 2005 levels. Ethylene and propylene margins are expected to remain strong, benefiting Dow's derivative businesses, as global demand continues to be solid and supply remains balanced, partially due to continued delays in many of the projects for new ethylene production facilities within the industry.

UNALLOCATED AND OTHER

Sales in 2005 were \$306 million, compared with \$262 million in 2004 and \$353 million in 2003. Sales in 2005 were primarily related to the Company's insurance operations. In 2004, sales declined from 2003 primarily due to the final divestitures of the Sentrachem business announced during the second half of 2002.

Included in the results for Unallocated and Other are:

- results of insurance company operations,
- Dow's share of the earnings/losses of Dow Corning,
- gains and losses on sales of financial assets,
- results of Dow Ventures,
- asbestos-related defense and resolution costs,
- foreign exchange hedging results, and
- overhead and other cost recovery variances not allocated to the operating segments.

EBIT was a loss of \$795 million in 2005 compared with losses of \$1.1 billion in 2004 and \$339 million in 2003. Results for 2005 were favorably impacted by improved results from Dow Corning and the absence of equity losses from Cargill Dow (see Note B to the Consolidated Financial Statements). This was offset by the performance-based stock compensation expenses of \$278 million, a cash donation in the fourth quarter of \$100 million to The Dow Chemical Company Foundation, severance costs of \$68 million, asbestos-related defense and resolution costs (net of insurance) of \$75 million, and a loss of \$31 million associated with the early extinguishment of debt. In addition, EBIT in 2005 was negatively impacted by charges totaling \$48 million for restructuring activities in the fourth quarter of 2005. The charges reflected in Unallocated and Other included employee-related expenses of \$25 million, the write-off of an intangible asset of \$10 million and costs related to the closure of three small plants of \$13 million.

Results for 2004 were negatively impacted by employee-related restructuring charges, including severance of \$225 million and curtailment expenses of \$71 million associated with Dow's defined benefits plans, performance-based compensation expenses of \$317 million, the recognition of a \$148 million liability associated with a loan guarantee for Cargill Dow, and asbestos-related defense and resolution costs (net of insurance) of \$82 million. EBIT for 2003 reflected asbestos-related defense and resolution costs of \$94 million (net of insurance).

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Sales Price and Volume									
Percent change from prior year	2005			2004			2003		
	Volume	Price	Total	Volume	Price	Total	Volume	Price	Total
Operating Segments:									
Performance Plastics	1%	19%	20%	12%	10%	22%	-	10%	10%
Performance Chemicals	(2)	18	16	11	9	20	1%	7	8
Agricultural Sciences	(3)	3	-	9	3	12	4	7	11
Plastics	-	18	18	5	24	29	(2)	22	20
Chemicals	(13)	17	4	3	22	25	6	24	30
Hydrocarbons and Energy	2	22	24	(2)	30	28	30	27	57
Total	(2)%	17%	15%	6%	17%	23%	4%	14%	18%
Geographic Areas:									
United States	(3)%	19%	16%	5%	12%	17%	3%	11%	14%
Europe	1	15	16	4	22	26	3	20	23
Rest of World	(5)	17	12	12	16	28	5	14	19
Total	(2)%	17%	15%	6%	17%	23%	4%	14%	18%

Price includes the impact of currency. Volume includes the impact of acquisitions and divestitures.

LIQUIDITY AND CAPITAL RESOURCES

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			
In millions	2005	2004	2003
Cash provided by (used in):			
Operating activities	\$ 4,474	\$ 2,670	\$ 3,780
Investing activities	(1,096)	(653)	(1,676)
Financing activities	(2,508)	(1,397)	(1,225)
Effect of exchange rate changes on cash	(172)	96	29
Net increase in cash and cash equivalents	\$ 698	\$ 716	\$ 908

Due to a significant improvement in earnings in 2005, cash provided by operating activities increased versus 2004, despite an increase in working capital requirements and contributions of \$1 billion to the Company's pension plans in 2005. Cash provided by operating activities in 2004 declined versus 2003 primarily due to an increase in working capital requirements and the payment of performance awards to employees of \$390 million.

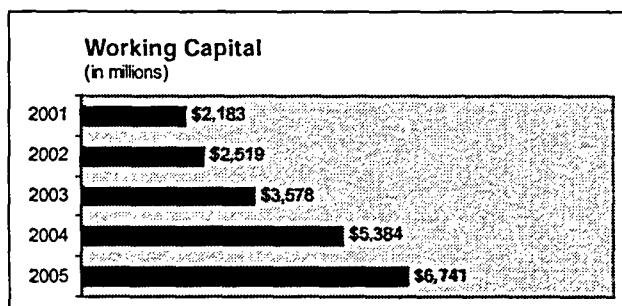
Cash used in investing activities in 2005 increased compared with 2004 due to increased capital expenditures, investments in consolidated companies (including \$98 million for the remaining 28 percent ownership interest in PBBPolisur), and investments in nonconsolidated affiliates (including \$170 million paid to Cargill Dow; see Note B to the Consolidated Financial Statements). In 2005, cash of \$867 million was provided by the sale of Union Carbide's 50 percent indirect interest in UOP. Cash used in investing activities in 2004 was significantly lower than in 2003 primarily due to proceeds of \$845 million in 2004 from the divestiture of assets related to the formation of MEGlobal and Equipolymers, 50:50 joint ventures, partially offset by an increase of \$233 million in capital expenditures. In 2003, cash of \$533 million was used for the purchase of previously leased manufacturing facilities in Argentina.

Cash used in financing activities in 2005 increased significantly compared with 2004 principally due to a reduction in debt levels, including the early extinguishment of \$933 million of debt in 2005, as well as lower proceeds from sales of common stock (related to the exercise of stock options and the Employees' Stock Purchase Plan) and an increase in purchases of treasury stock (related to a share repurchase program authorized in July 2005). Cash used in financing activities in 2004 was higher than 2003 primarily due to higher payments on long-term debt and lower proceeds from the issuance of long-term debt.

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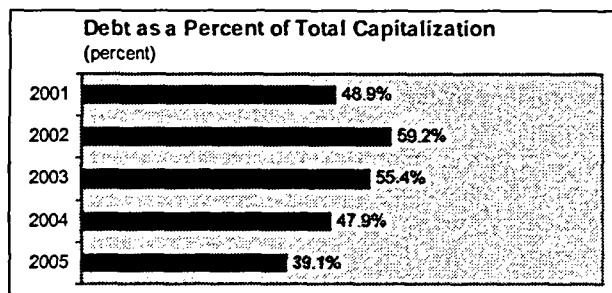
Liquidity and Capital Resources – Continued

Working Capital at December 31		
In millions	2005	2004
Current assets	\$17,404	\$15,890
Current liabilities	10,663	10,506
Working capital	\$ 6,741	\$ 5,384
Current ratio	1.63:1	1.51:1



At December 31, 2005, trade receivables were \$5.1 billion, up from \$4.8 billion at December 31, 2004, due to the increase in sales in 2005. Days-sales-outstanding-in-receivables (excluding the impact of sales of receivables) were 39 days at December 31, 2005 and 40 days at December 31, 2004. At December 31, 2005, total inventories were \$5.3 billion, up from \$5.0 billion at December 31, 2004, principally due to the increase in feedstock and energy costs. Days-sales-in-inventory at December 31, 2005 was 59 days versus 57 days at December 31, 2004.

Total Debt at December 31		
In millions	2005	2004
Notes payable	\$ 241	\$ 104
Long-term debt due within one year	1,279	861
Long-term debt	9,186	11,629
Gross debt	\$10,706	\$12,594
Cash and cash equivalents	\$ 3,806	\$ 3,108
Marketable securities and interest-bearing deposits	32	84
Net debt	\$ 6,868	\$ 9,402
Gross debt as a percent of total capitalization	39.1%	47.9%
Net debt as a percent of capitalization	29.2%	40.7%



As part of its ongoing financing activities, Dow has the ability to issue promissory notes under its U.S. and Euromarket commercial paper programs. At December 31, 2005, there were no commercial paper borrowings outstanding. In the event Dow has short-term liquidity needs and is unable to access these short-term markets for any reason, Dow has the ability to access liquidity through its committed and available credit facilities with various U.S. and foreign banks totaling \$3.0 billion in support of its working capital requirements and commercial paper borrowings. These facilities include a \$1.25 billion 364-day revolving credit facility, which matures in April 2006, and a \$1.75 billion 5-year revolving credit facility, which matures in April 2009.

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At December 31, 2005, the Company had \$3.5 billion of SEC-registered securities available for issuance under U.S. shelf registrations. Furthermore, in the fourth quarter of 2005, the Company initiated the annual renewal of the registration of its Euro Medium Term Note Program with the Luxembourg Stock Exchange. Upon completion of the program's renewal, which occurred on February 15, 2006, the Company has Euro 1.5 billion (approximately \$1.8 billion) available for issuance.

On July 14, 2005, the Board of Directors authorized the repurchase of up to 25 million shares of Dow common stock over the period ending on December 31, 2007. During 2005, the Company purchased 714,200 shares of the Company's common stock under this program. See Part II, Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities for additional information.

Dow's public debt instruments and documents for its private funding transactions contain, among other provisions, certain covenants and default provisions. At December 31, 2005, the Company was in compliance with all of these covenants and default provisions. See Note L to the Consolidated Financial Statements for information on such covenants and default provisions.

Contractual Obligations

The following tables summarize the Company's contractual obligations, commercial commitments and expected cash requirements for interest at December 31, 2005. Additional information related to these obligations can be found in Notes K, L, M, N and T to the Consolidated Financial Statements.

Contractual Obligations at December 31, 2005	Payments Due by Year						Total
	2006	2007	2008	2009	2010	2011 and beyond	
In millions							
Long-term debt – current and noncurrent (1)	\$1,279	\$1,248	\$ 579	\$ 781	\$ 917	\$ 5,661	\$10,465
Deferred income tax liabilities – noncurrent (2)	-	-	-	-	-	1,395	1,395
Pension and other postretirement benefits	274	308	307	479	641	1,469	3,478
Other noncurrent obligations (3)	218	194	125	88	78	4,019	4,722
Other contractual obligations:							
Minimum operating lease commitments	236	179	156	136	109	319	1,135
Purchase commitments – take or pay and throughput obligations	2,390	2,204	2,031	1,791	1,566	6,512	16,494
Purchase commitments – other (4)	34	30	29	-	2	61	156
Expected cash requirements for interest	618	558	492	460	410	4,603	7,141
Total	\$5,049	\$4,721	\$3,719	\$3,735	\$3,723	\$24,039	\$44,986

(1) Capital lease obligations of \$40 million are included in "2011 and beyond."

(2) Deferred tax liabilities may vary according to changes in tax laws, tax rates and the operating results of the Company. As a result, it is impractical to determine whether there will be a cash impact to an individual year. All noncurrent deferred income tax liabilities have been reflected in "2011 and beyond."

(3) Annual payments to resolve asbestos litigation will vary based on changes in defense strategies, changes in state and national law, and claims filing and resolution rates. As a result, it is impractical to determine the anticipated payments in any given year; \$1,360 million of the \$1,384 million noncurrent asbestos-related liability has been reflected in "2011 and beyond."

(4) Includes outstanding purchase orders and other commitments greater than \$1 million, obtained through a survey of the Company.

The Company also had outstanding guarantees at December 31, 2005. Additional information related to these guarantees can be found in the "Guarantees" table provided in Note K to the Consolidated Financial Statements.

Variable Interest Entities

In the second quarter of 2003, Dow terminated its lease of an ethylene facility in The Netherlands with a variable interest entity ("VIE") and entered into a lease with a new owner trust, which is also a VIE. However, Dow is not the primary beneficiary of the owner trust and, therefore, is not required to consolidate the owner trust. Based on a valuation completed in mid-2003, the facility was valued at \$394 million. Upon expiration of the lease, which matures in 2014, Dow may purchase the facility for an amount based upon a fair market value determination. At December 31, 2005, Dow had provided to the owner trust a residual value guarantee of \$363 million, which represents Dow's maximum exposure to loss under the lease. Given the productive nature of the facility, it is probable that the facility will have continuing value to Dow or the owner trust in excess of the residual value guarantee.

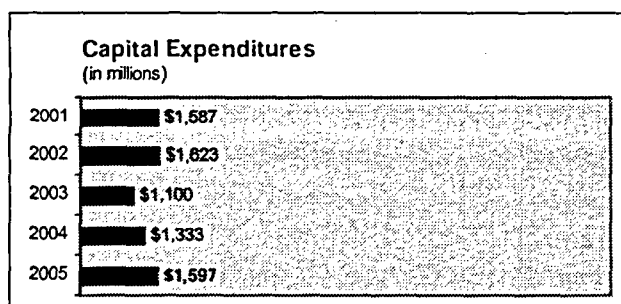
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Liquidity and Capital Resources – Continued

In September 2001, Hobbes Capital S.A. ("Hobbes"), a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of equity certificates. The certificates provide a floating rate of return (which may be reinvested) based on London Interbank Offered Rate ("LIBOR"), and may be redeemed in 2008 and at seven-year intervals thereafter. The equity certificates have been classified as "Preferred Securities of Subsidiaries" in the consolidated balance sheets. The preferred return is included in "Minority interests' share in income" in the consolidated statements of income. Reinvested preferred returns are included in "Minority Interest in Subsidiaries" in the consolidated balance sheets. Under FIN No. 46R, Hobbes is a VIE and the Company is the primary beneficiary.

Capital Expenditures

Capital spending for the year was \$1,597 million, up 20 percent from \$1,333 million in 2004, and up 45 percent from \$1,100 million in 2003. In 2005, approximately 39 percent of the Company's capital expenditures were directed toward additional capacity for new and existing products, compared with 38 percent in 2004. Approximately 21 percent was committed to projects related to environmental protection, safety, loss prevention and industrial hygiene in 2005 and 2004. The remaining capital was utilized to maintain the Company's existing asset base, including projects related to productivity improvements, energy conservation and facilities support.



Major projects underway during 2005 included expansion of production facilities for solution polyethylene and ethylene, and construction of a new facility for the production of octene in Tarragona, Spain; UCAR™ Emulsion Systems latex in Hahnville, Louisiana; and FILMTEC™ membranes in Edina, Minnesota. Additional major projects included infrastructure related to the integration of a new gas turbine and replacement of furnaces in Freeport, Texas, upgrades to isopropanol production facilities in Texas City, Texas, and a new methyl acrylate resin plant in Midland, Michigan. Because the Company designs and builds most of its capital projects in-house, it had no material capital commitments other than for the purchase of materials from fabricators and construction labor.

Dividends

On February 9, 2006 the Board of Directors announced a quarterly dividend of \$0.375 per share, payable April 28, 2006, to stockholders of record on March 31, 2006. Since 1912, the Company has paid a cash dividend every quarter and, in each instance, Dow has maintained or increased the amount of the dividend, adjusted for stock splits. During that 93-year period, Dow has increased the amount of the quarterly dividend 46 times (approximately 12 percent of the time) and maintained the amount of the quarterly dividend approximately 88 percent of the time. The Company declared dividends of \$1.34 per share in 2005, 2004 and 2003.

Outlook for 2006

In 2005, the Company continued its drive to improve earnings and strengthen its financial position. Dow's focus on cost discipline and aggressive price/volume management, supported by improving industry conditions and strategic divestitures, led to an increase in net income of \$1.7 billion. While working capital increased \$1.4 billion due to the significantly higher sales level, working capital ratios remained at low levels. Capital expenditures were held below \$1.6 billion, \$307 million below depreciation. These actions enabled the Company to reduce total debt by \$1.9 billion in 2005. During the past three years, the Company has reduced total debt by over \$2.3 billion and its ratio of debt to total capitalization from 59.2 percent to 39.1 percent. The Company expects to further reduce debt as a percent of total capitalization in 2006.

In 2006, the Company will continue its focus on improved financial performance. While industry conditions are expected to remain strong, volatility in feedstock and energy costs adds uncertainty to the outlook. The Company plans to further improve productivity while increasing its investment in targeted growth opportunities. Capital expenditures are expected to

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increase to \$1.8 billion in 2006, an amount below the level of depreciation, but sufficient to maintain the safety and reliability of the Company's facilities while modestly increasing capacity in selected high-value businesses.

Approximately \$1.3 billion in debt will become due in 2006. The Company will either use a portion of its cash and cash equivalents to pay down this debt as scheduled or issue new debt. The Company has sufficient cash to meet its scheduled debt obligations in 2006.

OTHER MATTERS

Accounting Changes

See Note A to the Consolidated Financial Statements for a discussion of accounting changes and recently issued accounting pronouncements.

Critical Accounting Policies

The preparation of financial statements and related disclosures in accordance 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 A to the Consolidated Financial Statements describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. Following are the Company's critical accounting policies impacted by judgments, assumptions and estimates:

Litigation

The Company is subject to legal proceedings and claims arising out of the normal course of business. The Company routinely assesses the likelihood of any adverse judgments or outcomes to these matters, as well as ranges of probable losses. A determination of the amount of the reserves required, if any, for these contingencies is made after thoughtful analysis of each known issue and an actuarial analysis of historical claims experience for incurred but not reported matters. Dow has an active risk management program consisting of numerous insurance policies secured from many carriers. These policies provide coverage that is utilized to minimize the impact, if any, of the legal proceedings. The required reserves may change in the future due to new developments in each matter. For further discussion, see Note K to the Consolidated Financial Statements.

Asbestos-Related Matters of Union Carbide Corporation

Union Carbide Corporation ("Union Carbide"), a wholly owned subsidiary of the Company, and a former Union Carbide subsidiary, Amchem Products, Inc. ("Amchem"), are and have been involved in a large number of asbestos-related suits filed primarily in state courts during the past three decades. 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. Union Carbide also increased the receivable for insurance recoveries related to its asbestos liability to \$1.35 billion at December 31, 2002.

In November 2004, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its January 2003 study. In January 2005, ARPC provided Union Carbide with a report summarizing the results of its study. Based on ARPC's January 2003 and January 2005 studies, Union Carbide's asbestos litigation experience, and the uncertainties surrounding asbestos litigation and legislative reform efforts, Union Carbide's management determined that no change to the accrual was required at December 31, 2004.

In November 2005, Union Carbide requested ARPC to review Union Carbide's 2005 asbestos claim and resolution activity and determine the appropriateness of updating the January 2005 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2005. In January 2006, ARPC stated that an update of the study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required at December 31, 2005.

Union Carbide's asbestos-related liability for pending and future claims was \$1.5 billion at December 31, 2005 and \$1.6 billion at December 31, 2004. Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$535 million at December 31, 2005 and \$712 million at December 31, 2004. In addition, Union Carbide had receivables for insurance recoveries of \$400 million at December 31, 2005 and \$491 million at December 31, 2004, for defense and resolution costs.

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Critical Accounting Policies – Continued

The amounts recorded by Union Carbide for the asbestos-related liability and related insurance receivable 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.

For additional information, see Legal Proceedings, Asbestos-Related Matters of Union Carbide Corporation in Management's Discussion and Analysis of Financial Condition and Results of Operation, and Note K to the Consolidated Financial Statements.

Environmental Matters

The Company determines the costs of environmental remediation of its facilities and formerly owned facilities based on evaluations of current law and existing technologies. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies. The recorded liabilities are adjusted periodically as remediation efforts progress, or as additional technical or legal information becomes available. In the case of landfills and other active waste management facilities, Dow recognizes the costs over the useful life of the facility. The Company had accrued obligations of \$380 million at December 31, 2004, for environmental remediation and restoration costs, including \$45 million for the remediation of Superfund sites. At December 31, 2005, the Company had accrued obligations of \$339 million for environmental remediation and restoration costs, including \$41 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 the ultimate cost with respect to these particular matters could range up to twice that amount. For further discussion, see Environmental Matters in Management's Discussion and Analysis of Financial Condition and Results of Operation and Notes A and K to the Consolidated Financial Statements.

Pension and Other Postretirement Benefits

The amounts recognized in the consolidated financial statements related to pension and other postretirement benefits are determined from actuarial valuations. Inherent in these valuations are assumptions including expected return on plan assets, discount rates at which the liabilities could be settled at December 31, 2005, rate of increase in future compensation levels, mortality rates and health care cost trend rates. These assumptions are updated annually and are disclosed in Note M to the Consolidated Financial Statements. In accordance with U.S. GAAP, actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, affect expense recognized and obligations recorded in future periods. The U.S. pension plans represent approximately 75 percent of the Company's pension plan assets and obligations.

The following information relates to the U.S. plans only; a similar approach is used for the Company's non-U.S. plans.

The Company determined the expected long-term rate of return on assets by performing a bottom-up analysis of historical and expected returns based on the strategic asset allocation approved by the Finance Committee of the Board of Directors and the underlying return fundamentals of each asset class. The Company's historical experience with the pension fund asset performance and comparisons to expected returns of peer companies with similar fund assets were also considered. The long-term rate of return assumption used for determining net periodic pension expense for 2005 was 8.75 percent. This assumption was unchanged for determining 2006 net periodic pension expense. The Company's historical actual return averaged 8.8 percent for the ten-year period ending December 31, 2005. The actual rate of return in 2005 was 8.4 percent. Future actual pension expense will depend on future investment performance, changes in future discount rates and various other factors related to the population of participants in the Company's pension plans. A 25 basis point adjustment in the long-term return on assets assumption would change total pension expense for 2006 by approximately \$25 million.

The discount rate utilized for determining future pension obligations of the principal U.S. qualified plans is based on a broad-based index of high quality bonds receiving an AA- or better rating by a recognized rating agency and matched to the future expected cash flows by half-year periods by plan. The resulting discount rate decreased from 5.875 percent at December 31, 2004, to 5.72 percent at December 31, 2005. A 25 basis point adjustment in the discount rate assumption would change total pension expense for 2006 by approximately \$32 million, with an immaterial change to other postretirement benefit expense due to defined dollar limits (caps).

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The value of the principal U.S. qualified plan assets increased from \$9.2 billion at December 31, 2004, to \$10.1 billion at December 31, 2005. The Company made contributions of \$748 million to the U.S. qualified plans in 2005. The favorable impact of the contributions was partially offset by the decline in the assumed discount rate, resulting in a net reduction of \$494 million in the funded status shortfall from December 31, 2004 to December 31, 2005.

For 2006, the Company maintained its assumption for the long-term rate of increase in compensation levels for the principal U.S. qualified plans of 4.5 percent. Since 2002, the Company has used a generational mortality table to determine the duration of its pension and other postretirement obligations.

The following discussion relates to all of the Company's pension and other postretirement benefit plans.

The Company bases the determination of pension expense or income on a market-related valuation of plan assets, which reduces year-to-year volatility. This market-related valuation recognizes investment gains or losses over a five-year period from the year in which they occur. Investment gains or losses for this purpose represent the difference between the expected return calculated using the market-related value of plan assets and the actual return based on the market value of plan assets. Since the market-related value of plan assets recognizes gains or losses over a five-year period, the future value of plan assets will be impacted when previously deferred gains or losses are recorded. Over the life of the plan, both gains and losses have been recognized and amortized. At December 31, 2005, net losses of \$124 million remain to be recognized by the qualified plans in the calculation of the market-related value of plan assets. These net losses will result in increases in future pension expense as they are recognized in the market-related value of assets and are a component of the unrecognized net loss of \$4,024 million shown under "Funded status and net amounts recognized" in the table entitled "Change in Projected Benefit Obligations, Plan Assets and Funded Status of all Significant Plans" included in Note M to the Consolidated Financial Statements. The \$3,900 million of remaining unrecognized net loss represents changes in plan experience and actuarial assumptions. The increase or decrease in the market-related value of assets due to the recognition of prior gains and losses is presented in the following table:

Increase (Decrease) in Market-Related Asset Value Due to Recognition of Prior Asset Gains and Losses	
In millions	
2006	\$(317)
2007	161
2008	26
2009	6
Total	\$(124)

Based on the revised pension assumptions and changes in the market-related value of assets due to the recognition of prior asset gains and losses, the Company expects to record approximately \$40 million of incremental expense for all pension and other postretirement benefits in 2006 compared with 2005. The Company also expects to make contributions of \$500 million to its pension plans in 2006.

Income Taxes

Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Based on the evaluation of available evidence, both positive and negative, the Company recognizes future tax benefits, such as net operating loss carryforwards and tax credit carryforwards, to the extent that realizing these benefits is considered to be more likely than not.

At December 31, 2005, the Company had a net deferred tax asset balance of \$2.4 billion, after valuation allowances of \$179 million.

In evaluating the ability to realize the deferred tax assets, the Company relies principally on forecasted taxable income using historical and projected future operating results, the reversal of existing temporary differences and the availability of tax planning strategies.

At December 31, 2005, the Company had deferred tax assets for tax loss and tax credit carryforwards of \$2.3 billion, \$125 million of which is subject to expiration in the years 2006-2010. In order to realize these deferred tax assets for tax loss and tax credit carryforwards, the Company needs taxable income of approximately \$6.7 billion across multiple jurisdictions. The taxable income needed to realize the deferred tax assets for tax loss and tax credit carryforwards that are subject to expiration between 2006-2010 is approximately \$381 million.

The Company accrues for tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated, based on past experience. The tax contingency reserve is adjusted for changes in circumstances and additional uncertainties, such as significant amendments to existing tax law.

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Critical Accounting Policies – Continued

At December 31, 2005, the Company had a tax contingency reserve for both domestic and foreign issues of \$860 million.

For additional information, see Note T to the Consolidated Financial Statements.

Environmental Matters

Environmental Policies

Dow is committed to world-class environmental, health and safety (“EH&S”) performance, as demonstrated by a long-standing commitment to Responsible Care® and progress made toward the Company’s EH&S Goals for 2005. In 1996, Dow publicly announced its voluntary global EH&S 2005 Goals – ambitious performance targets to measure progress toward sustainable development, including targets to reduce chemical emissions, waste and wastewater by 50 percent. Equally aggressive were Dow’s EH&S 2005 Goals to reduce leaks, spills, fires, explosions, work-related injuries and transportation incidents by 90 percent. Dow continues to work aggressively toward attainment of its goals and its “Vision of Zero.” In 2005, Dow developed its next generation of 10-year goals that will provide continuity to the first set of goals, while also addressing a broader set of challenges. The 2015 Sustainability Goals will set the standard for sustainability in the chemical industry by focusing on improvements in Dow’s local corporate citizenship and product stewardship, and by actively pursuing methods to reduce the Company’s environmental impact. More information on Dow’s performance regarding environmental matters and goals can be found online on Dow’s Environment, Health and Safety webpage at www.dow.com.

To meet the Company’s public commitments, as well as the stringent laws and government regulations related to environmental protection and remediation to which its global operations are subject, Dow has well-defined policies, requirements and management systems. Dow’s EH&S Management System (“EMS”) defines for the businesses the “who, what, when and how” needed to achieve the Company’s policies, requirements, performance objectives, leadership expectations and public commitments. EMS is also designed to minimize the long-term cost of environmental protection and to comply with these laws and regulations. In 2002 and 2003, the security aspects of Dow’s EMS were strengthened to require that Site Vulnerability Assessments be conducted to ensure appropriate safeguards to protect Dow’s employees and physical assets in a post-9/11 world. Furthermore, to ensure effective utilization, the EMS is integrated into a company-wide management system for EH&S, Operations, Quality and Human Resources.

It is Dow’s policy to adhere to a waste management hierarchy that minimizes the impact of wastes and emissions on the environment. First, Dow works to eliminate or minimize the generation of waste and emissions at the source through research, process design, plant operations and maintenance. Second, Dow finds ways to reuse and recycle materials. Finally, unusable or non-recyclable hazardous waste is treated before disposal to eliminate or reduce the hazardous nature and volume of the waste. Treatment may include destruction by chemical, physical, biological or thermal means. Disposal of waste materials in landfills is considered only after all other options have been thoroughly evaluated. Dow has specific requirements for waste that is transferred to non-Dow facilities, including the periodic auditing of these facilities.

Dow believes third-party verification is a cornerstone of world-class EH&S performance and building public trust. Numerous Dow sites in Europe, Latin America, Australia and North America have received third-party verification of Dow’s compliance with Responsible Care® and with outside specifications such as ISO-14001. Additional sites in the United States will receive third-party auditing over the next two years in support of new industry-wide Responsible Care® expectations. Dow received the American Chemistry Council’s Responsible Care® Employee Health & Safety Code Sustained Excellence Award three years in row (2002-2004). The annual Sustained Excellence Award recognizes companies that have demonstrated outstanding safety records over a three-year period. Dow remains the only company from the “large” size category to ever receive this award.

Dow’s EH&S policies helped the Company achieve excellent safety performance in 2005. Dow demonstrated continuous improvement in reducing its personal injury and illness OSHA (Occupational Safety and Health Administration) rate, although, tragically, there were three fatalities during 2005. The Company also posted a significant reduction in leaks, breaks and spills, and notices of violation from environmental regulatory agencies in 2005. Improvement in environmental compliance remains a top management priority, with initiatives underway to further improve compliance in 2006.

Chemical Security

Growing public and political attention has been placed on protecting critical infrastructure, including the chemical industry, from security threats. Terrorist attacks and natural disasters have increased concern about the security of chemical production and distribution. There is an increasing call by many, including Dow and the American Chemistry Council, for uniform performance-based national standards for securing the U.S. chemical industry.

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The focus on security is not new to Dow. Dow has maintained a comprehensive, multi-level security plan since 1988. This plan was activated in response to the events of 9/11. Dow continues to improve its security plans, placing emphasis on the safety of Dow communities and people by being prepared to meet risks at any level and to address both internal and external identifiable risks. Dow's security plans also are developed to avert interruptions of normal business work operations which could materially and adversely affect the Company's results of operations, liquidity and financial condition.

Dow uses a risk-based approach employing the U.S. Government's Sandia National Labs methodology to repeatedly assess the risks to sites, systems, and processes. The comprehensive Distribution Risk Review process that has been in place for decades was expanded to address potential threats in all modes of transportation across the Company's supply chain. To reduce vulnerabilities, Dow maintains security measures that meet or exceed regulatory and industry security standards in all areas in which the Company operates.

Dow played a key role in the development and implementation of the American Chemistry Council's Responsible Care® Security Code that requires all aspects of security – including facility, transportation, and cyberspace – be assessed and gaps addressed. Through the Company's global implementation of the Security Code, Dow has permanently heightened the level of security – not just in the United States, but worldwide. Assessment and improvement costs are expected to be approximately \$70 million, over three years, and are not considered material to the Company's consolidated financial statements. Total costs invested since 9/11, included in the Company's operational costs, are estimated in the hundreds of millions of dollars attributable to plant security, supply chain and cyberspace security enhancements, upgrades, regulatory compliance and response capabilities.

Dow continually works to strengthen partnerships with local responders, law enforcement, and security agencies and to enhance confidence in the integrity of the Company's security and risk management program, as well as strengthen its preparedness and response capabilities. Dow also works closely with its supply chain partners and strives to educate lawmakers, regulators and communities about the Company's resolve and actions to date which are mitigating security and crisis threats.

Climate Change

There is a growing political and scientific consensus that emissions of greenhouse gases ("GHG") due to human activities continue to alter the composition of the global atmosphere in ways that are affecting the climate. Political debates continue about how to implement fair and effective GHG mitigation efforts. Dow takes global climate change very seriously and is not waiting for the resolution of the debate. Dow is committed to reducing its GHG intensity (pounds of GHG per pound of product), developing climate-friendly products and processes and, over the longer term, implementing technology solutions to achieve even greater climate change improvements. Since 1995, Dow has reduced GHG direct emission intensity by over 45 percent. Total direct emissions of GHG have also been significantly reduced. This trend could reverse, however, depending on business growth, capacity utilization and the pace of new technology development.

Given the uncertainties regarding implementation of the Kyoto Protocol and related climate change policies, it is speculative to engage in an assessment of either the potential liability or benefit associated with climate change issues. Since 1994, the Company has achieved a 22 percent improvement in energy intensity (the amount of energy required to produce one pound of product). In doing so, it has avoided consuming more than 900 trillion Btus, a saving that when converted to electricity would be more than sufficient to supply the electricity consumed by residential users in the State of California for one year. These efficiency improvements also result in the reduction of GHG emissions.

Dow also contributes to the climate change solution by producing products that help others reduce GHG emissions, such as lightweight plastics for automobiles and insulation for energy efficient homes and appliances. Dow has demonstrated its commitment to technological innovation and conservation through its exploration of renewable energy sources. In February 2004, Dow and General Motors announced the start-up of a joint project to prove the viability of hydrogen fuel cells for large industrial power systems, using hydrogen from the Company's production processes at its Freeport, Texas, facility. In November of that year, the project was expanded from a single test cell to a multi-cell pilot plant, which can generate up to one megawatt of electricity. This project is still underway.

Dow has formed a Climate Change and Energy Policy Strategy Board to establish the Company's direction regarding GHG management, including GHG emission credit trading.

Environmental Remediation

Dow accrues the costs of remediation of its facilities and formerly owned facilities based on current law and existing technologies. The nature of such remediation includes, for example, the management of soil and groundwater contamination and the closure of contaminated landfills and other waste management facilities. In the case of landfills and other active waste management facilities, Dow recognizes the costs over the useful life of the facility. The accounting policies adopted to properly reflect the monetary impacts of environmental matters are discussed in Note A to the Consolidated Financial Statements. To assess the impact on the financial statements, environmental experts review currently available facts to

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Environmental Matters – Continued

evaluate the probability and scope of potential liabilities. Inherent uncertainties exist in such evaluations primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies. These liabilities are adjusted periodically as remediation efforts progress or as additional technical or legal information becomes available. Dow had an accrued liability of \$298 million at December 31, 2005, related to the remediation of current or former Dow-owned sites. The liability related to remediation at December 31, 2004 was \$335 million. The Company has not recorded any third-party recovery related to these sites as a receivable.

In addition to current and former Dow-owned sites, under the Federal Comprehensive Environmental Response, Compensation and Liability Act and equivalent state laws (hereafter referred to collectively as "Superfund Law"), Dow is liable for remediation of other hazardous waste sites where Dow allegedly disposed of, or arranged for the treatment or disposal of, hazardous substances. Dow readily cooperates in the remediation of these sites where the Company's liability is clear, thereby minimizing legal and administrative costs. Because Superfund Law imposes joint and several liability upon each party at a site, Dow has evaluated its potential liability in light of the number of other companies that also have been named potentially responsible parties ("PRPs") at each site, the estimated apportionment of costs among all PRPs, and the financial ability and commitment of each to pay its expected share. The Company's remaining liability for the remediation of Superfund sites at December 31, 2005 was \$41 million. At December 31, 2004, the Company's liability for the remediation of Superfund sites was \$45 million.

Information regarding environmental sites is provided below:

Environmental Sites	<i>Dow-owned Sites (1)</i>		<i>Superfund Sites (2)</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Number of sites at January 1	216	216	61	79
Sites added during year	9	5	16	9
Sites closed during year	(4)	(5)	(5)	(27)
Number of sites at December 31	221	216	72	61

(1) Dow-owned sites are sites currently or formerly owned by Dow, where remediation obligations are imposed (in the United States) by the Resource Conservation Recovery Act or analogous state law. 129 of these sites were formerly owned by Dowell Schlumberger, Inc., a group of companies in which the Company previously owned a 50 percent interest. Dow sold its interest in Dowell Schlumberger in 1992.

(2) Superfund sites are sites, including sites not owned by Dow, where remediation obligations are imposed by Superfund Law.

The Company's manufacturing sites in Freeport, Texas, and Midland, Michigan, are the sites for which the Company has the largest environmental remediation accruals. From the start of operations at the Freeport site in the 1940s until the mid-1970s, manufacturing wastes were typically placed in on-site pits and landfills. The resulting soil and groundwater contamination is being assessed and remediated under the provisions of the Resource Conservation Recovery Act ("RCRA"), in concert with the state of Texas. At December 31, 2005, the Company had an accrual of \$77 million (\$81 million at December 31, 2004) related to environmental remediation at the Freeport manufacturing site. In 2005, \$9 million (\$7 million in 2004) was spent on environmental remediation at the Freeport site.

Similar to the Freeport site, in the early days of operations at the Midland site, manufacturing wastes were usually disposed of on-site, resulting in soil and groundwater contamination, which has been contained and managed on-site under a series of RCRA permits and regulatory agreements. The most recent Hazardous Waste Operating License for the Midland site, issued in 2003, also included provisions for the Company to conduct an investigation to determine the nature and extent of off-site contamination from historic Midland site operations. The scope of the investigation includes Midland area soils; Tittabawassee and Saginaw River sediment and floodplain soils; and Saginaw Bay and requires the Company to conduct interim response actions. See Note K to the Consolidated Financial Statement for additional information. At December 31, 2005, the Company had an accrual of \$40 million (\$59 million at December 31, 2004) for environmental remediation and investigation associated with the Midland site. In 2005, the Company spent \$25 million (\$14 million in 2004) on environmental remediation at the Midland site.

In total, the Company's accrued liability for probable environmental remediation and restoration costs was \$339 million at December 31, 2005, compared with \$380 million at the end of 2004. 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 the ultimate cost with respect to these particular matters could range up to twice that amount. It is the opinion of the Company's management that the possibility is remote that costs in excess of those disclosed will have a material adverse impact on the Company's consolidated financial statements.

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The amounts charged to income on a pretax basis related to environmental remediation totaled \$79 million in 2005, \$85 million in 2004 and \$68 million in 2003. Capital expenditures for environmental protection were \$150 million in 2005, \$116 million in 2004 and \$132 million in 2003.

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.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. 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.

The table below provides information regarding asbestos-related claims filed against Union Carbide and Amchem:

	2005	2004	2003
Claims unresolved at January 1	203,416	193,891	200,882
Claims filed	34,394	58,240	122,586
Claims settled, dismissed or otherwise resolved	(91,485)	(48,715)	(129,577)
Claims unresolved at December 31	146,325	203,416	193,891
Claimants with claims against both Union Carbide and Amchem	48,647	73,587	66,656
Individual claimants at December 31	97,678	129,829	127,235

Plaintiffs' lawyers often sue dozens or even hundreds of defendants in individual lawsuits on behalf of hundreds or even thousands of 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 liability.

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. At each balance sheet date, Union Carbide compares current asbestos claim and resolution activity to the assumptions in the ARPC study to determine whether the accrual continues to be appropriate. In November 2004, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its January 2003 study. In January 2005, ARPC provided Union Carbide with a report summarizing the results of its study. At December 31, 2004, Union Carbide's recorded asbestos-related liability for pending and future claims was \$1.6 billion. Based on the low end of the range in the January 2005 study, Union Carbide's recorded asbestos-related liability for pending and future claims at December 31, 2004 would be sufficient to resolve asbestos-related claims against Union Carbide and Amchem into 2019. As in its January 2003 study, ARPC did provide estimates for a longer period of time in its January 2005 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time. Based on ARPC's studies, Union Carbide's asbestos litigation experience, and the uncertainties surrounding asbestos litigation and legislative reform efforts, Union Carbide's management determined that no change to the accrual was required at December 31, 2004.

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Asbestos-Related Matters of Union Carbide Corporation – Continued

In November 2005, Union Carbide requested ARPC to review Union Carbide's 2005 asbestos claim and resolution activity and determine the appropriateness of updating the January 2005 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2005. In January 2006, ARPC stated that an update of the study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required at December 31, 2005.

Union Carbide's asbestos-related liability for pending and future claims was \$1.5 billion at December 31, 2005 and \$1.6 billion at December 31, 2004. At December 31, 2005, approximately 39 percent of the recorded liability related to pending claims and approximately 61 percent related to future claims. At December 31, 2004, approximately 37 percent of the recorded liability related to pending claims and approximately 63 percent related to future claims.

Defense and Resolution Costs

The following table provides information regarding defense and resolution costs related to asbestos-related claims filed against Union Carbide and Amchem:

Defense and Resolution Costs				<i>Aggregate Costs to Date as of Dec. 31, 2005</i>
In millions	2005	2004	2003	
Defense costs	\$ 75	\$ 86	\$110	\$ 419
Resolution costs	\$139	\$300	\$293	\$1,065

The average resolution payment per asbestos claimant and the rate of new claim filings has fluctuated both up and down since the beginning of 2001. Union Carbide's management expects such fluctuations to continue in the future based upon the number and type of claims settled in a particular period, the jurisdictions in which such claims arose, and the extent to which any proposed legislative reform related to asbestos litigation is being considered.

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.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$535 million at December 31, 2005 and \$712 million at December 31, 2004. At December 31, 2005, \$398 million (\$543 million at December 31, 2004) 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, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

Receivables for Costs Submitted to Insurance Carriers at December 31		
In millions	2005	2004
Receivables for defense costs	\$ 73	\$ 85
Receivables for resolution costs	327	406
Total	\$400	\$491

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$75 million in 2005, \$82 million in 2004 and \$94 million in 2003, and was reflected in "Cost of sales."

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In September 2003, Union Carbide filed a comprehensive insurance coverage case in the Circuit Court for Kanawha County in Charleston, West Virginia, seeking to confirm its rights to insurance for various asbestos claims (the "West Virginia action") and to facilitate an orderly and timely collection of insurance proceeds. Although Union Carbide already has settlements in place concerning coverage for asbestos claims with many of its insurers, including those covered by the 1985 Wellington Agreement, this lawsuit 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. In early 2004, several of the defendant insurers in the West Virginia action filed a competing action in the Supreme Court of the State of New York, County of New York. As a result of motion practice, the West Virginia action was dismissed in August 2004 on the basis of *forum non conveniens* (i.e., West Virginia is an inconvenient location for the parties). The comprehensive insurance coverage litigation is now proceeding in the New York courts (the "New York action"). The insurance carriers are contesting this litigation. Through the fourth quarter of 2005, Union Carbide reached settlements with several of the carriers involved in the New York action. After a further 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 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 adverse 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 adverse 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 Dow Chemical Company and Subsidiaries
PART II, Item 7A. 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 SFAS No. 133, "Accounting for Derivative Instruments 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 per SFAS No. 133. 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 nonderivative instruments in foreign currencies. Main exposures are related to assets and liabilities denominated in the currencies of Europe, Asia Pacific and Canada; bonds denominated in foreign currencies – mainly the Euro and Japanese yen; and economic exposure derived from the risk that currency fluctuations could affect the U.S. dollar value of future cash flows. The majority of the foreign exchange exposure is related to European currencies and the Japanese yen.

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 from its acquisition and divestiture activity. 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 potential gain or loss in fair market values, given a certain move in prices over a certain period of time, using specified confidence levels. On an ongoing basis, the Company estimates the maximum gain or loss that could arise in one day, given a two-standard-deviation movement in the respective price levels. These amounts are relatively insignificant in comparison to the size of the equity of the Company. The VAR methodology used by Dow is based primarily on the variance/covariance statistical model. The year-end VAR and average daily VAR for the aggregate of non-trading and trading positions for 2005 and 2004 are shown below:

Total Daily VAR at December 31* In millions	2005		2004	
	<i>Year-end</i>	<i>Average</i>	<i>Year-end</i>	<i>Average</i>
Foreign exchange	\$ 3	\$ 6	\$ 2	\$ 2
Interest rate	\$55	\$65	\$80	\$87
Equity exposures, net of hedges	\$ 2	\$ 2	\$ 1	\$ 2
Commodities	\$23	\$21	\$26	\$29

*Using a 95 percent confidence level

See Note I to the Consolidated Financial Statements for further disclosure regarding market risk.

The Dow Chemical Company and Subsidiaries

PART II, Item 8. Financial Statements and Supplementary Data.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting and concluded that, as of December 31, 2005, such internal control is effective. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

The Company's independent auditors, Deloitte & Touche LLP, with direct access to the Company's Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company. Their report on the consolidated financial statements is included in Part II, Item 8. Financial Statements and Supplementary Data. Management's assessment of the Company's internal control over financial reporting has been audited by Deloitte & Touche LLP, as stated in their report included in Part II, Item 9A. Controls and Procedures.

Management's Process to Assess the Effectiveness of Internal Control Over Financial Reporting

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the Company followed a comprehensive compliance process across the enterprise to evaluate its internal control over financial reporting, engaging employees at all levels of the organization. Dow's effective internal control begins with a strong ethics and compliance "tone-at-the-top" of the Company, and is supported by all employees throughout the organization, who operate within clearly defined roles and responsibilities with strict adherence to delegation of authority limits. To further heighten internal control awareness across the Company during 2005, Dow required mandatory internal control training for approximately 20,000 employees around the globe.

Management's conclusion on the effectiveness of internal control over financial reporting is based on a thorough and comprehensive evaluation and analysis of the five elements of COSO. Multiple inputs were considered as the basis for management's conclusion - including self-assessments of the control activities within each work process, assessments of entity-level controls, and internal control attestations from significant nonconsolidated joint ventures and external service providers, as well as from key Dow management. In addition, the Company's internal control processes contain self-monitoring mechanisms, and proactive steps are taken to correct deficiencies as they are identified. The Company also maintains an effective internal auditing program that independently assesses the effectiveness of internal control over financial reporting within each of the five COSO elements.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris
President, Chief Executive Officer and
Chairman-Elect

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei
Executive Vice President and Chief Financial Officer

/s/ FRANK H. BROD

Frank H. Brod
Corporate Vice President and Controller

February 8, 2006

The Dow Chemical Company and Subsidiaries
PART II, Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of
The Dow Chemical Company:

We have audited the accompanying consolidated balance sheets of The Dow Chemical Company and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, comprehensive income and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15 (a) 2. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Dow Chemical Company and subsidiaries at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Notes A and O to the consolidated financial statements, effective January 1, 2003, the Company changed its method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standards No. 123 for new grants of equity instruments to employees.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 8, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Midland, Michigan
February 8, 2006

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Income

(In millions, except per share amounts) For the years ended December 31

	2005	2004	2003
Net Sales	\$ 46,307	\$ 40,161	\$ 32,632
Cost of sales	38,276	34,244	28,177
Research and development expenses	1,073	1,022	981
Selling, general and administrative expenses	1,545	1,436	1,392
Amortization of intangibles	55	81	63
Restructuring activities - net charge (gain)	114	(20)	-
Equity in earnings of nonconsolidated affiliates	964	923	322
Sundry income - net	755	136	146
Interest income	138	86	92
Interest expense and amortization of debt discount	702	747	828
Income before Income Taxes and Minority Interests	6,399	3,796	1,751
Provision (Credit) for income taxes	1,782	877	(82)
Minority interests' share in income	82	122	94
Income before Cumulative Effect of Changes in Accounting Principles	4,535	2,797	1,739
Cumulative effect of changes in accounting principles	(20)	-	(9)
Net Income Available for Common Stockholders	\$ 4,515	\$ 2,797	\$ 1,730
Share Data			
Earnings before cumulative effect of changes in accounting principles per common share - basic	\$ 4.71	\$ 2.98	\$ 1.89
Earnings per common share - basic	\$ 4.69	\$ 2.98	\$ 1.88
Earnings before cumulative effect of changes in accounting principles per common share - diluted	\$ 4.64	\$ 2.93	\$ 1.88
Earnings per common share - diluted	\$ 4.62	\$ 2.93	\$ 1.87
Common stock dividends declared per share of common stock	\$ 1.34	\$ 1.34	\$ 1.34
Weighted-average common shares outstanding - basic	963.2	940.1	918.8
Weighted-average common shares outstanding - diluted	976.8	953.8	926.1

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Balance Sheets

(In millions) At December 31

	2005	2004
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,806	\$ 3,108
Marketable securities and interest-bearing deposits	32	84
Accounts and notes receivable:		
Trade (net of allowance for doubtful receivables - 2005: \$169; 2004: \$136)	5,124	4,753
Other	2,802	2,604
Inventories	5,319	4,957
Deferred income tax assets - current	321	384
Total current assets	17,404	15,890
Investments		
Investment in nonconsolidated affiliates	2,285	2,698
Other investments	2,156	2,141
Noncurrent receivables	274	189
Total investments	4,715	5,028
Property		
Property	41,934	41,898
Less accumulated depreciation	28,397	28,070
Net property	13,537	13,828
Other Assets		
Goodwill	3,140	3,152
Other intangible assets (net of accumulated amortization - 2005: \$552; 2004: \$507)	443	535
Deferred income tax assets - noncurrent	3,658	4,369
Asbestos-related insurance receivables - noncurrent	818	1,028
Deferred charges and other assets	2,219	2,055
Total other assets	10,278	11,139
Total Assets	\$ 45,934	\$ 45,885

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Balance Sheets

(In millions, except share amounts) At December 31

	2005	2004
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes payable	\$ 241	\$ 104
Long-term debt due within one year	1,279	861
Accounts payable:		
Trade	3,931	3,701
Other	1,829	2,194
Income taxes payable	493	419
Deferred income tax liabilities - current	201	205
Dividends payable	347	342
Accrued and other current liabilities	2,342	2,680
Total current liabilities	10,663	10,506
Long-Term Debt	9,186	11,629
Other Noncurrent Liabilities		
Deferred income tax liabilities - noncurrent	1,395	1,301
Pension and other postretirement benefits - noncurrent	3,308	3,979
Asbestos-related liabilities - noncurrent	1,384	1,549
Other noncurrent obligations	3,338	3,202
Total other noncurrent liabilities	9,425	10,031
Minority Interest in Subsidiaries	336	449
Preferred Securities of Subsidiaries	1,000	1,000
Stockholders' Equity		
Common stock (authorized 1,500,000,000 shares of \$2.50 par value each; issued 981,377,562 shares)	2,453	2,453
Additional paid-in capital	661	274
Unearned ESOP shares	(1)	(12)
Retained earnings	14,719	11,527
Accumulated other comprehensive loss	(1,949)	(977)
Treasury stock at cost (2005: 14,221,354 shares; 2004: 28,451,070 shares)	(559)	(995)
Net stockholders' equity	15,324	12,270
Total Liabilities and Stockholders' Equity	\$ 45,934	\$ 45,885

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Cash Flows

(In millions) For the years ended December 31	2005	2004	2003
Operating Activities			
Net Income Available for Common Stockholders	\$ 4,515	\$ 2,797	\$ 1,730
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of changes in accounting principles	20	-	9
Depreciation and amortization	2,079	2,088	1,903
Provision (Credit) for deferred income tax	740	255	(378)
Earnings/losses of nonconsolidated affiliates in excess of dividends received	(469)	(553)	(180)
Minority interests' share in income	82	122	94
Pension contributions	(1,031)	(399)	(235)
Net (gain) loss on sales of consolidated companies	-	(1)	4
Net gain on sales of ownership interests in nonconsolidated affiliates	(732)	(29)	(28)
Net gain on sales of investments	(33)	(34)	(10)
Net gain on sales of property and businesses	(56)	(99)	(102)
Other net (gain) loss	(29)	69	8
Net gain on asset divestitures related to formation of nonconsolidated affiliates	-	(563)	-
Restructuring charges	41	341	-
Tax benefit - nonqualified stock option exercises	85	100	52
Changes in assets and liabilities that provided (used) cash:			
Accounts and notes receivable	(469)	(1,316)	(322)
Inventories	(240)	(931)	95
Accounts payable	106	1,252	161
Noncurrent receivables	(85)	41	347
Other assets and liabilities	(50)	(470)	632
Cash provided by operating activities	4,474	2,670	3,780
Investing Activities			
Capital expenditures	(1,597)	(1,333)	(1,100)
Proceeds from sales of property and businesses	105	156	231
Acquisitions of businesses	-	(149)	(10)
Purchase of previously leased assets	(263)	-	(533)
Investments in consolidated companies	(109)	(6)	(71)
Proceeds from sales of consolidated companies	-	7	3
Investments in nonconsolidated affiliates	(208)	(129)	(80)
Distributions from nonconsolidated affiliates	41	60	63
Proceeds from sales of ownership interests in nonconsolidated affiliates	956	62	53
Proceeds from asset divestitures related to formation of nonconsolidated affiliates	-	845	-
Purchases of investments	(1,400)	(1,827)	(1,732)
Proceeds from sales and maturities of investments	1,379	1,661	1,500
Cash used in investing activities	(1,096)	(653)	(1,676)
Financing Activities			
Changes in short-term notes payable	74	(152)	(285)
Payments on long-term debt	(1,559)	(1,285)	(857)
Proceeds from issuance of long-term debt	4	658	907
Purchases of treasury stock	(68)	(15)	(6)
Proceeds from sales of common stock	398	706	303
Distributions to minority interests	(70)	(57)	(58)
Dividends paid to stockholders	(1,287)	(1,252)	(1,229)
Cash used in financing activities	(2,508)	(1,397)	(1,225)
Effect of Exchange Rate Changes on Cash	(172)	96	29
Summary			
Increase in cash and cash equivalents	698	716	908
Cash and cash equivalents at beginning of year	3,108	2,392	1,484
Cash and cash equivalents at end of year	\$ 3,806	\$ 3,108	\$ 2,392

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Stockholders' Equity

(In millions) For the years ended December 31	2005	2004	2003
Common Stock			
Balance at beginning and end of year	\$ 2,453	\$ 2,453	\$ 2,453
Additional Paid-in Capital			
Balance at beginning of year	274	8	-
Stock-based compensation	387	266	8
Balance at end of year	661	274	8
Unearned ESOP Shares			
Balance at beginning of year	(12)	(30)	(61)
Shares allocated to ESOP participants	11	18	31
Balance at end of year	(1)	(12)	(30)
Retained Earnings			
Balance at beginning of year	11,527	9,994	9,520
Net income	4,515	2,797	1,730
Common stock dividends declared	(1,292)	(1,264)	(1,233)
Other	(31)	-	(23)
Balance at end of year	14,719	11,527	9,994
Accumulated Other Comprehensive Loss			
Unrealized Gains (Losses) on Investments at beginning of year	41	43	(23)
Unrealized gains (losses)	(30)	(2)	66
Balance at end of year	11	41	43
Cumulative Translation Adjustments at beginning of year	301	(199)	(649)
Translation adjustments	(964)	500	450
Balance at end of year	(663)	301	(199)
Minimum Pension Liability at beginning of year	(1,357)	(1,315)	(1,379)
Adjustments	45	(42)	64
Balance at end of year	(1,312)	(1,357)	(1,315)
Accumulated Derivative Gain (Loss) at beginning of year	38	(20)	(46)
Net hedging results	227	107	30
Reclassification to earnings	(250)	(49)	(4)
Balance at end of year	15	38	(20)
Total accumulated other comprehensive loss	(1,949)	(977)	(1,491)
Treasury Stock			
Balance at beginning of year	(995)	(1,759)	(2,189)
Purchases	(68)	(15)	(6)
Issuance to employees and employee plans	504	779	436
Balance at end of year	(559)	(995)	(1,759)
Net Stockholders' Equity	\$ 15,324	\$ 12,270	\$ 9,175

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries
Consolidated Statements of Comprehensive Income

(In millions) For the years ended December 31	2005	2004	2003
Net Income Available for Common Stockholders	\$ 4,515	\$ 2,797	\$ 1,730
Other Comprehensive Income (Loss), Net of Tax (tax amounts shown below for 2005, 2004, 2003)			
Unrealized gains (losses) on investments:			
Unrealized holding gains (losses) during the period (net of tax of \$(7), \$20, \$24)	(21)	24	57
Less: Reclassification adjustments for net amounts included in net income (net of tax of \$(6), \$(16), \$5)	(9)	(26)	9
Cumulative translation adjustments (net of tax of \$(29), \$101, \$(193))	(964)	500	450
Minimum pension liability adjustments (net of tax of \$26, \$(25), \$51)	45	(42)	64
Net gains (losses) on cash flow hedging derivative instruments (net of tax of \$8, \$9, \$16)	(23)	58	26
Total other comprehensive income (loss)	(972)	514	606
Comprehensive Income	\$ 3,543	\$ 3,311	\$ 2,336

See Notes to the Consolidated Financial Statements.

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING CHANGES

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Basis of Presentation

The accompanying 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 include the assets, liabilities, revenues and expenses of all majority-owned subsidiaries over which the Company exercises control and, when applicable, entities for which the Company has a controlling financial interest. Intercompany transactions and balances are eliminated in consolidation. Investments in nonconsolidated affiliates (20-50 percent owned companies, joint ventures and partnerships) are accounted for on the equity basis.

Certain reclassifications of prior years' amounts have been made to conform to the presentation adopted for 2005.

Use of Estimates in Financial Statement Preparation

The preparation of financial statements in accordance with U.S. GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The Company's consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates.

Foreign Currency Translation

The local currency has been primarily used as the functional currency throughout the world. Translation gains and losses of those operations that use local currency as the functional currency are included in the consolidated balance sheets as "Accumulated other comprehensive income (loss)" ("AOCI"). Where the U.S. dollar is used as the functional currency, foreign currency gains and losses are reflected in income.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE A – Summary of Significant Accounting Policies and Accounting Changes – Continued

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. These accruals are adjusted periodically as assessment and remediation efforts progress or as additional technical or legal information becomes available. Accruals for environmental liabilities are included in the consolidated balance sheets as "Other noncurrent obligations" at undiscounted amounts. Accruals for related insurance or other third-party recoveries for environmental liabilities are recorded when it is probable that a recovery will be realized and are included in the consolidated balance sheets as "Accounts receivable - Other."

Environmental costs are capitalized if the costs extend the life of the property, increase its capacity, and/or mitigate or prevent contamination from future operations. Environmental costs are also capitalized in recognition of legal asset retirement obligations resulting from the acquisition, construction and/or normal operation of a long-lived asset. Costs related to environmental contamination treatment and cleanup are charged to expense. Estimated future incremental operations, maintenance and management costs directly related to remediation are accrued when such costs are probable and estimable.

Cash and Cash Equivalents

Cash and cash equivalents include time deposits and readily marketable securities with original maturities of three months or less.

Financial Instruments

The Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available for various types of financial instruments (such as forwards, options and swaps), the Company uses standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows.

The Company utilizes derivative instruments to manage exposures to currency exchange rates, commodity prices and interest rate risk. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date. Changes in the fair value of these instruments are reported in income or AOCI, depending on the use of the derivative and whether it qualifies for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

Gains and losses on derivative instruments qualifying as cash flow hedges are recorded in AOCI, to the extent the hedges are effective, until the underlying transactions are recognized in income. To the extent effective, gains and losses on derivative and nonderivative instruments used as hedges of the Company's net investment in foreign operations are recorded in AOCI as part of the cumulative translation adjustment. The ineffective portions of cash flow hedges and hedges of net investment in foreign operations, if any, are recognized in income immediately.

Gains and losses on derivative instruments designated and qualifying as fair value hedging instruments, as well as the offsetting losses and gains on the hedged items, are reported in income in the same accounting period. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the results included in income.

Inventories

Inventories are stated at the lower of cost or market. The method of determining cost is used consistently from year to year at each subsidiary and varies among last-in, first-out ("LIFO"); first-in, first-out ("FIFO"); and average cost.

Property

Land, buildings and equipment, including property under capital lease agreements, are carried at cost less accumulated depreciation. Depreciation is based on the estimated service lives of depreciable assets and is provided using the straight-line method. For most assets capitalized through 1996, the declining balance method was used. Fully depreciated assets are retained in property and depreciation accounts until they are removed from service. In the case of disposals, assets and related depreciation are removed from the accounts, and the net amounts, less proceeds from disposal, are included in income.

Impairment and Disposal of Long-Lived Assets

The Company evaluates long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When undiscounted future cash flows are not expected to be sufficient to recover an asset's carrying amount, the asset is written down to its fair value. Long-lived assets to be disposed of other than by sale are classified as held and used until they are disposed of. Long-lived assets to be disposed of by sale are classified as held for sale and are reported at the lower of carrying amount or fair value less cost to sell, and depreciation is ceased.

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Investments

Investments in debt and marketable equity securities, including warrants, are classified as trading, available-for-sale, or held-to-maturity. Investments classified as trading are reported at fair value with unrealized gains and losses included in income. Those classified as available-for-sale are reported at fair value with unrealized gains and losses recorded in AOCI. Those classified as held-to-maturity are recorded at amortized cost. The cost of investments sold is determined by specific identification.

The excess of the cost of investments in subsidiaries over the values assigned to assets and liabilities is shown as goodwill and is subject to the impairment provisions of SFAS No. 142, "Goodwill and Other Intangible Assets." Absent any impairment indicators, recorded goodwill is tested for impairment in conjunction with the annual planning and budgeting process by comparing the fair value of each reporting unit, determined using a discounted cash flow method, with its carrying value.

Revenue

Sales are recognized when the revenue is realized or realizable, and has been earned, in accordance with the U.S. Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 104, "Revenue Recognition in Financial Statements." Approximately 98 percent of the Company's sales are related to sales of product, while 1 percent is related to the Company's service offerings and 1 percent to its insurance operations. Revenue for product sales is recognized as risk and title to the product transfer to the customer, which usually occurs at the time shipment is made. Substantially all of the Company's products are sold FOB ("free on board") shipping point or, with respect to countries other than the United States, an equivalent basis. Title to the product passes when the product is delivered to the freight carrier. Dow's standard terms of delivery are included in its contracts of sale, order confirmation documents and invoices. Freight costs and any directly related associated costs of transporting finished product to customers are recorded as "Cost of sales."

The Company's primary service offerings are in the form of contract manufacturing services and services associated with Dow AgroSciences' termite solution, SENTRICON™ Termite Colony Elimination System. Revenue associated with these service offerings is recognized when services are rendered, according to contractual agreements.

Revenue related to the Company's insurance operations includes third-party insurance premiums, which are earned over the terms of the related insurance policies and reinsurance contracts.

Legal Costs

The Company expenses legal costs, including those legal costs expected to be incurred in connection with a loss contingency, as incurred.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using enacted rates.

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examinations of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ from the amounts accrued. The Company accrues for tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated. Provision is made for taxes on undistributed earnings of foreign subsidiaries and related companies to the extent that such earnings are not deemed to be permanently invested.

Earnings per Common Share

The calculation of earnings per common share is based on the weighted-average number of the Company's common shares outstanding during the applicable period. The calculation for diluted earnings per common share reflects the effect of all dilutive potential common shares that were outstanding during the respective periods.

ACCOUNTING CHANGES

Accounting for Stock-Based Compensation

In the first quarter of 2003, Dow began expensing stock options by adopting the fair value provisions of the Financial Accounting Standards Board's ("FASB") SFAS No. 123, "Accounting for Stock-Based Compensation," for new grants of equity instruments (which include stock options, deferred stock grants, and subscriptions to purchase shares under the Company's Employees' Stock Purchase Plan) to employees. As required by SFAS No. 148, "Accounting for Stock-Based

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE A – Summary of Significant Accounting Policies and Accounting Changes – Continued

Compensation - Transition and Disclosure,” the following table provides pro forma results as if the fair value based method had been applied to all outstanding and unvested awards, including stock options, deferred stock grants, and subscriptions to purchase shares under the Company’s Employees’ Stock Purchase Plan, in each period presented:

In millions, except per share amounts	2005	2004	2003
Net income, as reported	\$4,515	\$2,797	\$1,730
Add: Stock-based compensation expense included in reported net income, net of tax	267	187	33
Deduct: Total stock-based compensation expense determined using fair value based method for all awards, net of tax	(236)	(205)	(80)
Pro forma net income	\$4,546	\$2,779	\$1,683
Earnings per share (in dollars):			
Basic – as reported	\$ 4.69	\$ 2.98	\$ 1.88
Basic – pro forma	\$ 4.72	\$ 2.96	\$ 1.83
Diluted – as reported	\$ 4.62	\$ 2.93	\$ 1.87
Diluted – pro forma	\$ 4.65	\$ 2.91	\$ 1.82

In December 2004, the FASB issued revised SFAS No. 123 (“SFAS No. 123R”), “Share-Based Payment,” which replaces SFAS No. 123 and supersedes Accounting Principles Board (“APB”) Opinion No. 25, “Accounting for Stock Issued to Employees.” This statement, which requires that the cost of all share-based payment transactions be recognized in the financial statements, establishes fair value as the measurement objective and requires entities to apply a fair-value-based measurement method in accounting for share-based payment transactions. As issued, the statement applies to all awards granted, modified, repurchased or cancelled after July 1, 2005, and unvested portions of previously issued and outstanding awards. On April 14, 2005, the U.S. Securities and Exchange Commission (the “SEC”) announced the adoption of a new rule that amends the compliance date for SFAS No. 123R, allowing companies to implement the statement at the beginning of their next fiscal year that begins after June 15, 2005. The Company will adopt SFAS No. 123R on January 1, 2006 using the modified-prospective method. The adoption of SFAS No. 123R is expected to have an immaterial impact on the Company’s consolidated financial statements.

In March 2005, the SEC issued SAB No. 107, which expresses views of the SEC staff regarding the interaction between SFAS No. 123R and certain SEC rules and regulations, and provides the staff’s views regarding the valuation of share-based payment arrangements for public companies. The Company will apply the guidance of this SAB as it adopts SFAS No. 123R.

The Company grants stock-based compensation awards which vest over a specified period or upon employees meeting certain performance and retirement eligibility criteria. The Company amortizes these awards over the specified vesting period and recognizes any previously unrecognized compensation cost at the date of retirement (the “nominal vesting period approach”). The Company will continue applying the nominal vesting period approach for the remaining portion of unvested outstanding awards as of December 31, 2005. SFAS No. 123R specifies that an award is vested when the employee’s rights to the award are no longer contingent upon providing additional service (the “non-substantive vesting period approach”). Upon adoption of SFAS No. 123R on January 1, 2006, the Company will apply this approach to all stock-based compensation awarded after December 31, 2005. Compensation cost will be recognized over the vesting period or from the grant date to the date on which retirement eligibility provisions have been met and additional service is no longer required, as appropriate. The Company has determined that application of the non-substantive vesting period approach will not have a material impact on the Company’s consolidated financial statements.

Accounting for Asset Retirement Obligations

In June 2001, the FASB issued SFAS No. 143, “Accounting for Asset Retirement Obligations,” which requires an entity to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the related long-lived asset. The liability is adjusted to its present value each period and the asset is depreciated over its useful life. A gain or loss may be incurred upon settlement of the liability. SFAS No. 143 was effective for fiscal years beginning after June 15, 2002. Adoption of SFAS No. 143 on January 1, 2003 resulted in the recognition of an asset retirement obligation of \$45 million and a charge of \$9 million (net of tax of \$5 million), which was included in “Cumulative effect of changes in accounting principles.”

In March 2005, the FASB issued FASB Interpretation (“FIN”) No. 47, “Accounting for Conditional Asset Retirement Obligations,” which clarifies the term *conditional asset retirement obligation* as used in SFAS No. 143 as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

may or may not be within the control of the Company. FIN No. 47 was effective no later than the end of fiscal years ending after December 15, 2005. Adoption of FIN No. 47 on December 31, 2005 resulted in the recognition of an asset retirement obligation of \$34 million and a charge of \$20 million (net of tax of \$12 million), which was included in "Cumulative effect of changes in accounting principles."

In accordance with FIN No. 47, the Company has 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 and Europe. At December 31, 2005, the aggregate carrying amount of conditional asset retirement obligations recognized by the Company was \$34 million. These obligations are included in the consolidated balance sheets as "Other noncurrent obligations."

If the conditional asset retirement obligation measurement and recognition provisions of FIN No. 47 had been in effect on January 1, 2004, the aggregate carrying amount of those obligations on that date would have been \$31 million. The aggregate amount of those obligations would have been \$32 million on December 31, 2004. If the amortization of asset retirement cost and accretion of asset retirement obligation provisions of SFAS No. 143, as interpreted by FIN No. 47, had been in effect during 2003 and 2004, the impact on "Income before Cumulative Effect on Changes in Accounting Principles" and "Net Income Available to Common Stockholders" each year would have been immaterial. Further, the impact on earnings per common share (both basic and diluted) would have been less than \$0.01 per share each year.

Due to the long term, productive nature of the Company's manufacturing operations, absent plans or expectations of plans to initiate asset retirement activities, the Company is unable to determine potential settlement dates to be used in fair value calculations for estimating conditional asset retirement obligations. As such, the Company has not recognized conditional asset retirement obligations when there are no plans or expectations of plans to undertake a major renovation or demolition project that would require the removal of asbestos. In addition, the Company has not recognized conditional asset retirement obligations for the capping of underground storage wells at Dow-owned sites and the contractually required demolition of facilities at non Dow-owned sites when there are no plans or expectations of plans to exit the sites. The Company is unable to reasonably estimate the fair value of such liabilities since the potential settlement dates cannot be determined at this time.

Other Accounting Changes

In May 2004, the FASB issued FASB Staff Position ("FSP") No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." The FSP provides accounting guidance for the effects of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") to a sponsor of a postretirement health care plan that has concluded that prescription drug benefits available under the plan are "actuarially equivalent" to Medicare Part D and thus qualify for a subsidy under the Act. The Company adopted the provisions of FSP No. FAS 106-2 in the third quarter of 2004. See Note M regarding the impact of adoption and the required disclosures.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs – an amendment of ARB No. 43, Chapter 4," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) and also requires that the allocation of fixed production overhead be based on the normal capacity of the production facilities. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Because the Company has used nameplate capacity to calculate product costs, the impact of the adoption of SFAS No. 151 on January 1, 2006 will have an immaterial favorable impact on the Company's consolidated financial statements in the first quarter of 2006.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29." The statement addresses the measurement of exchanges of nonmonetary assets and eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 was effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company determined that its practices are consistent with the guidance of this statement; therefore, the adoption of SFAS No. 153 on July 1, 2005, had no impact on the Company's consolidated financial statements.

In December 2004, the FASB issued FSP No. FAS 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004," indicating that this deduction should be accounted for as a special deduction in accordance with the provisions of SFAS No. 109, "Accounting for Income Taxes." Beginning in 2005, the Company recognizes the allowable deductions as qualifying activity occurs.

In December 2004, the FASB issued FSP No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004," which provides a practical exception to the SFAS No. 109 requirement to reflect the effect of a new tax law in the period of enactment by allowing additional time beyond the financial reporting period to evaluate the effects on plans for reinvestment or repatriation of unremitted foreign

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE A – Summary of Significant Accounting Policies and Accounting Changes – Continued

earnings. The American Jobs Creation Act of 2004 (the “AJCA”) introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain criteria are met. In May 2005, tax authorities released the clarifying language necessary to enable the Company to finalize its plan for the repatriation and reinvestment of foreign earnings subject to the requirements of the AJCA, resulting in a credit of \$113 million to “Provision for income taxes” in the second quarter of 2005.

In May 2005, the FASB issued SFAS No. 154, “Accounting Changes and Error Corrections,” which replaces APB Opinion No. 20, “Accounting Changes,” and SFAS No. 3, “Reporting Accounting Changes in Interim Financial Statements,” and provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS No. 154 applies to all voluntary changes in accounting principle and requires *retrospective application* (a term defined by the statement) to prior periods’ financial statements, unless it is impracticable to determine the effect of a change. It also applies to changes required by an accounting pronouncement that does not include specific transition provisions. In addition, SFAS No. 154 redefines *restatement* as the revising of previously issued financial statements to reflect the correction of an error. The statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company will adopt SFAS No. 154 beginning January 1, 2006.

In November 2005, the FASB issued FSP Nos. FAS 115-1 and 124-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,” which addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment. The FSP also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. The guidance in the FSP amends SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities,” SFAS No. 124, “Accounting for Certain Investments Held by Not-for-Profit Organizations,” and APB Opinion No. 18, “The Equity Method of Accounting for Investments in Common Stock.” The Company has reviewed the guidance of FSP Nos. FAS 115-1 and 124-1 and has determined that its practices are consistent with the FSP; therefore, the adoption of the FSP on January 1, 2006 will have no impact on the Company’s consolidated financial statements.

NOTE B – RESTRUCTURING

2005 Restructuring

In the fourth quarter of 2005, the Company recorded pretax charges totaling \$114 million related to restructuring activities, as the Company continued to focus on financial discipline and made additional decisions regarding noncompetitive and underperforming assets, as well as decisions regarding the consolidation of manufacturing capabilities. The charges included costs of \$67 million related to the closure of approximately 20 small plants around the world, losses of \$12 million on asset sales, the write-off of an intangible asset of \$10 million and employee-related expenses of \$25 million. The total of these charges is shown as “Restructuring activities – net charge (gain)” in the consolidated statements of income. The charges were recorded against the Company’s operating segments as follows: \$28 million against Performance Plastics, \$14 million against Performance Chemicals, \$9 million against Agricultural Sciences, \$12 million against Plastics and \$3 million against Chemicals. Charges to Unallocated and Other amounted to \$48 million.

2004 Restructuring

In the second quarter of 2004, the Company recorded a pretax net gain of \$20 million related to restructuring activities. The net gain included gains totaling \$563 million related to the divestitures of assets in conjunction with the formation of two new joint ventures (see Note C for information regarding the divestitures); asset impairments of \$99 million related to the future sale or shutdown of facilities (see Note F for disclosures related to asset impairments); the recognition of a liability of \$148 million associated with a loan guarantee for Cargill Dow LLC (“Cargill Dow”); and employee-related restructuring charges of \$296 million. The net impact of the transactions is shown as “Restructuring activities – net charge (gain)” in the consolidated statements of income. Additional information regarding these activities is included below.

Recognition of Liability Related to Loan Guarantee

In the second quarter of 2004, the Company completed an assessment of Cargill Dow, a 50:50 joint venture with Cargill, Incorporated (“Cargill”). Based on that assessment, the Company concluded that it was probable that its portion of a loan guarantee in place for Cargill Dow would be called, and recognized a liability of \$148 million in the second quarter with a charge to Unallocated and Other.

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Notes to the Consolidated Financial Statements

In January 2005, the Company contributed \$170 million to Cargill Dow and obtained a release from its commitments with respect to Cargill Dow's debt obligations. On January 31, 2005, Dow transferred its 50 percent interest in Cargill Dow to Cargill.

Employee-Related Restructuring Charges

In the second quarter of 2004, the Company recorded employee-related restructuring charges totaling \$296 million. The charges resulted from decisions made by management in the second quarter relative to employment levels as the Company restructured its business organization and finalized plans for additional plant shutdowns and divestitures. The charges included severance of \$225 million for a workforce reduction of 2,455 people, most of whom ended their employment with Dow by the end of the third quarter of 2004, and curtailment costs of \$71 million associated with Dow's defined benefit plans (see Note M). The charges were included in the results of Unallocated and Other.

As of December 31, 2004, the Company's workforce had been reduced by 2,416 people due to this restructuring. Severance of \$131 million was paid to 1,832 former employees; severance of \$75 million was deferred until 2005 by 584 former employees. At December 31, 2004, an accrual of \$19 million (excluding the deferred severance) remained for severance under this program.

In 2005, the severance accrual was reduced by \$12 million (reflected in "Cost of sales") due to the redeployment of approximately 120 employees, bringing the 2004 employee-related restructuring program to a close. As of December 31, 2005, severance of \$212 million related to this restructuring program had been paid to 2,448 former employees.

NOTE C - DIVESTITURES

On June 30, 2004, Dow and Petrochemical Industries Company ("PIC") of Kuwait, a wholly owned subsidiary of Kuwait Petroleum Corporation, formed two new joint ventures designed to further develop the commercial relationship of the two companies in the petrochemical industry. The joint ventures are:

- MEGlobal, a 50:50 joint venture for the manufacture and marketing of monoethylene glycol and diethylene glycol ("EG").
- Equipolymers, a 50:50 joint venture for the manufacture of purified terephthalic acid ("PTA") and the manufacture and marketing of polyethylene terephthalate resins ("PET").

The joint ventures combine Dow's strong existing asset base, technology position and market presence with PIC's commitment to increasing its investment in downstream petrochemical markets. The formation of the joint ventures is an important step in Dow's strategy of pursuing cost advantaged feedstock positions to supply growing markets, and in reducing Dow's capital intensity. MEGlobal and Equipolymers strengthen the integration of these ethylene derivative businesses by strategically shifting future growth to cost-advantaged locations.

To form MEGlobal, Dow sold a 50 percent interest in its Canadian EG manufacturing assets (included in the Chemicals segment) to PIC for \$635 million. Dow and PIC each contributed their respective interests in the Canadian EG manufacturing assets to form the joint venture. The carrying amount of the assets sold included: manufacturing facilities of \$24 million, an investment in a nonconsolidated affiliate of \$12 million and inventories of \$11 million. MEGlobal produces EG using ethylene purchased from Dow pursuant to a market-based agreement. Proceeds from the sale included a pre-payment of the ethylene supply agreement of \$121 million, which is being recognized over the life of the contract based on units of production. MEGlobal also markets excess EG produced in Dow's plants in the United States and Europe and EG produced by affiliates of Dow and PIC. EG is used as a raw material in the manufacture of polyester fibers, PET, antifreeze formulations and other industrial products.

To form Equipolymers, Dow sold a 50 percent interest in its PET/PTA business (included in the Plastics segment), which included manufacturing assets in Germany and Italy, to PIC for \$210 million. Dow and PIC each contributed their respective interests in the PET/PTA business to form the joint venture. The carrying amount of the assets sold included: manufacturing facilities of \$39 million, receivables of \$24 million, goodwill of \$22 million, inventories of \$21 million, payables of \$16 million and other liabilities of \$4 million. PTA is a key raw material for the production of PET. PET is a high quality plastic used in the packaging industry, particularly for the production of beverage, food and other liquid containers. See Note H regarding the reduction of goodwill related to the formation of Equipolymers.

The Company recorded a gain on the sale of the Canadian EG assets of \$439 million (included in the Chemicals segment) and a gain on the sale of the PET/PTA business of \$124 million (included in the Plastics segment) in the second quarter of 2004.

On July 1, 2004, Dow began accounting for the joint ventures using the equity method of accounting. Dow's share of the earnings/losses of MEGlobal are reflected in the results for the Chemicals segment; Dow's share of the earnings/losses of Equipolymers are reflected in the results for the Plastics segment.

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Notes to the Consolidated Financial Statements

NOTE D – INVENTORIES

The following table provides a breakdown of inventories at December 31, 2005 and 2004:

Inventories at December 31		
<i>In millions</i>	<i>2005</i>	<i>2004</i>
Finished goods	\$2,941	\$2,989
Work in process	1,247	889
Raw materials	645	605
Supplies	486	474
Total inventories	\$5,319	\$4,957

The reserves reducing inventories from the first-in, first-out (“FIFO”) basis to the last-in, first-out (“LIFO”) basis amounted to \$1,149 million at December 31, 2005 and \$807 million at December 31, 2004. Inventories valued on a LIFO basis, principally hydrocarbon and U.S. chemicals and plastics product inventories, represented 37 percent of the total inventories at December 31, 2005 and 39 percent of total inventories at December 31, 2004.

A reduction of certain inventories resulted in the liquidation of some of the Company’s LIFO inventory layers, increasing pretax income \$110 million in 2005, \$154 million in 2004 and \$70 million in 2003.

NOTE E – PROPERTY

Property at December 31		<i>Estimated Useful Lives (Years)</i>	
<i>In millions</i>		<i>2005</i>	<i>2004</i>
Land	-	\$ 518	\$ 550
Land and waterway improvements	15-25	1,147	1,170
Buildings	5-55	3,339	3,462
Machinery and equipment	3-20	31,831	31,882
Utility and supply lines	5-20	2,000	1,974
Other property	3-30	1,757	1,853
Construction in progress	-	1,342	1,007
Total property		\$41,934	\$41,898

<i>In millions</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Depreciation expense	\$1,904	\$1,904	\$1,753
Manufacturing maintenance and repair costs	\$1,289	\$1,182	\$1,083
Capitalized interest	\$ 56	\$ 48	\$ 48

NOTE F – IMPAIRMENT OF LONG-LIVED ASSETS

In the first quarter of 2003, certain studies to determine potential actions relative to non-strategic and underperforming assets were completed and management made decisions regarding the disposition of certain assets. These decisions resulted in the write-off of the net book value of several manufacturing facilities totaling \$37 million (the largest of which was \$16 million recorded in “Cost of sales” in the Hydrocarbons and Energy segment associated with the impairment of Union Carbide’s Seadrift, Texas, ethylene cracker, which was shut down in the third quarter of 2003), the impairment of Union Carbide’s chemical transport vessel (sold in the second quarter of 2003) of \$11 million recorded in “Sundry income (expense) – net” in Unallocated and Other, and the write-off of cancelled capital projects totaling \$12 million recorded in “Cost of sales” and reflected in Unallocated and Other.

In the first quarter of 2004, Dow continued to evaluate non-strategic and underperforming assets, and management made decisions regarding the disposition of certain assets. These decisions resulted in charges totaling \$39 million. The two largest items were related to a manufacturing facility for the production of polyols and propylene glycol in Priolo, Italy, and a manufacturing facility for the production of HAMPOSYL™ surfactants in Nashua, New Hampshire.

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Notes to the Consolidated Financial Statements

- On April 1, 2004, the Company announced the permanent closure of the Priolo plant; therefore, in the first quarter of 2004, the net book value of \$22 million was written down with a charge to "Cost of sales" in the Performance Plastics segment.
- In the first quarter of 2004, the Company made the decision to discontinue production of HAMPOSYL™ surfactants (manufactured by Hampshire Chemical Corp. ["Hampshire Chemical"], a wholly owned subsidiary of the Company) and as a result, wrote down the net book value of the assets of \$9 million against "Cost of sales" in the Performance Chemicals segment. The manufacturing facility for this line of business was shut down in the third quarter of 2004; demolition of the facility was substantially completed in the fourth quarter of 2005. See Note H regarding the write-off of goodwill associated with this line of business.

In the second quarter of 2004, the Company recorded asset impairments totaling \$99 million, included in "Restructuring activities – net charge (gain)" in the consolidated statements of income, related to the future sale or shutdown of facilities as follows (see Note B):

- In the fourth quarter of 2003, Biopharmaceutical Contract Manufacturing Services ("BCMS"), located in Smithfield, Rhode Island, lost its contract manufacturing relationship with its largest customer. After a review of the business and site was completed in the second quarter of 2004, the Company decided to seek bids to sell BCMS. Based on indications of interest from potential buyers, the assets were written down to their fair value in the second quarter, with a \$60 million charge against the Performance Chemicals segment. In the third quarter of 2004, the business ceased production at the facility.
- In the second quarter of 2004, the Company recorded asset impairments totaling \$39 million for the second quarter shutdown of a latex manufacturing facility (\$8 million), the pending sale of a marine terminal (\$10 million) and the results of a cash flow analysis of the Company's DAXAD™ dispersant and glycine businesses (\$21 million). The impairments resulted in charges against the Performance Chemicals segment of \$29 million and Unallocated and Other of \$10 million. The sale of the marine terminal was completed in the third quarter of 2004. The Company completed the sale of the DAXAD™ dispersant and glycine businesses in the fourth quarter of 2005. See Note H regarding a goodwill write-off associated with the DAXAD™ dispersant and glycine businesses.

NOTE G – SIGNIFICANT NONCONSOLIDATED AFFILIATES AND RELATED COMPANY TRANSACTIONS

The Company's investments in related companies accounted for by the equity method ("nonconsolidated affiliates") were \$2,285 million at December 31, 2005 and \$2,698 million at December 31, 2004. At December 31, 2005, the carrying amount of the Company's investments in nonconsolidated affiliates was \$61 million more than its share of the investees' net assets, exclusive of Dow Corning Corporation ("Dow Corning"), MEGlobal, Equipolymers and EQUATE Petrochemical Company K.S.C. ("EQUATE"), which are discussed separately below. This difference was \$209 million at December 31, 2004. See Note C regarding the formation of MEGlobal and Equipolymers on June 30, 2004.

On May 15, 1995, Dow Corning, in which the Company is a 50 percent shareholder, voluntarily filed for protection under Chapter 11 of the U.S. Bankruptcy Code (see Note K). As a result, the Company fully reserved its investment in Dow Corning and reserved its 50 percent share of equity earnings from that time through the third quarter of 2000. A difference between the Company's 50 percent share of the underlying equity of Dow Corning and the carrying value of this investment has existed since May 1995. During 1998 and 1999, Dow Corning recognized the financial impact of implementing the Joint Plan, including all liabilities and obligations. Following Judge Denise Page Hood's November 13, 2000 affirmation of the Bankruptcy Court's order confirming Dow Corning's Joint Plan of Reorganization (the "Joint Plan"), the Company reviewed the value of its investment in Dow Corning, revised its assessment of the recoverability of its investment, and determined that it had adequately provided for the other-than-temporary decline associated with the bankruptcy. On June 1, 2004, Dow Corning's Joint Plan became effective and Dow Corning emerged from bankruptcy. The Company considers the difference between the carrying value of its investment in Dow Corning and its 50 percent share of Dow Corning's equity to be permanent. The difference was \$222 million at December 31, 2005 and 2004.

At December 31, 2005, the Company's investment in MEGlobal was \$289 million less than the Company's proportionate share of MEGlobal's underlying net assets. This amount represents the difference between the value of certain assets of the joint venture and the Company's related valuation on a U.S. GAAP basis, of which \$99 million is being amortized over the remaining useful lives of the assets and \$190 million represents the Company's share of the joint venture's goodwill. At December 31, 2004, the Company's investment in MEGlobal was zero, due to a capital distribution from the joint venture, and was \$254 million less than the Company's proportionate share of MEGlobal's underlying net assets.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE G – Significant Nonconsolidated Affiliates and Related Company Transactions – Continued

At December 31, 2005, the Company's investment in Equipolymers was \$50 million less than the Company's proportionate share of Equipolymers' underlying net assets. This amount represents the difference between the value of certain assets of the joint venture and the Company's related valuation on a U.S. GAAP basis, of which \$13 million is being amortized over the remaining useful lives of the assets and \$37 million is a difference representing the Company's share of the joint venture's goodwill. At December 31, 2004, this difference was \$126 million.

At December 31, 2005, the Company's investment in EQUATE was \$34 million less than its proportionate share of the underlying net assets (\$54 million at December 31, 2004). This amount represents the difference between EQUATE's value of certain assets and the Company's related valuation on a U.S. GAAP basis and as such is being amortized over the remaining two-year useful life of those assets.

In November 2004, Union Carbide sold a 2.5 percent interest in EQUATE to National Bank of Kuwait for \$104 million. In March 2005, these shares were sold to private Kuwaiti investors thereby completing the restricted transfer and reducing Union Carbide's ownership interest from 45 percent to 42.5 percent. A pretax gain of \$70 million was recorded in the first quarter of 2005 related to the sale of these shares.

On January 3, 2005, the Company and E.I. du Pont de Nemours and Company ("DuPont") announced that the Company had exercised its option to acquire certain assets relating to ethylene elastomers and chlorinated elastomers from DuPont Dow Elastomers L.L.C. ("DDE"), including ENGAGE™, NORDEL™ and TYRIN™ elastomers, through an equity redemption transaction involving the Company's equity interest in DDE. As a result of this option exercise, DuPont purchased the Company's remaining equity interest in DDE for \$87 million; the dissolution of the joint venture, which was completed on June 30, 2005, resulted in a pretax gain of \$31 million in the second quarter of 2005. The Company decreased its investment in nonconsolidated affiliates and recorded \$324 million in net property, \$122 million in inventories, and \$48 million in other net assets.

On November 30, 2005, Union Carbide completed the sale of its indirect 50 percent interest in UOP LLC ("UOP") to a wholly owned subsidiary of Honeywell International, Inc. for a purchase price of \$867 million, resulting in a pretax gain of \$637 million in the fourth quarter of 2005.

Dow's principal nonconsolidated affiliates and the Company's direct or indirect ownership interest for each at December 31, 2005, 2004 and 2003 are shown below:

Principal Nonconsolidated Affiliates at December 31	Ownership Interest		
	2005	2004	2003
Compañía Mega S.A.	28%	28%	28%
Dow Corning Corporation	50%	50%	50%
DuPont Dow Elastomers L.L.C.	-	50%	50%
EQUATE Petrochemical Company K.S.C.	42.5%	45%	45%
Equipolymers	50%	50%	-
MEGlobal	50%	50%	-
The OPTIMAL Group:			
OPTIMAL Chemicals (Malaysia) Sdn Bhd	50%	50%	50%
OPTIMAL Glycols (Malaysia) Sdn Bhd	50%	50%	50%
OPTIMAL Olefins (Malaysia) Sdn Bhd	23.75%	23.75%	23.75%
The Siam Group:			
Pacific Plastics (Thailand) Limited	49%	49%	49%
Siam Polyethylene Company Limited	49%	49%	49%
Siam Polystyrene Company Limited	49%	49%	49%
Siam Styrene Monomer Co., Ltd.	49%	49%	49%
Siam Synthetic Latex Company Limited	49%	49%	49%
UOP LLC	-	50%	50%

The Company's investment in these companies was \$1,765 million at December 31, 2005 and \$2,202 million at December 31, 2004. Its equity in their earnings was \$859 million in 2005, \$886 million in 2004 and \$342 million in 2003. All of the nonconsolidated affiliates in which the Company has investments are privately held companies; therefore, quoted market prices are not available. The summarized financial information presented below represents the combined accounts (at 100 percent) of the principal nonconsolidated affiliates.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

Summarized Balance Sheet Information at December 31

In millions	2005	2004
Current assets	\$ 5,112	\$ 5,378
Noncurrent assets	6,539	8,412
Total assets	\$11,651	\$13,790
Current liabilities	\$ 2,462	\$ 3,351
Noncurrent liabilities	3,769	4,661
Total liabilities	\$ 6,231	\$ 8,012

Summarized Income Statement Information

In millions	2005(1)	2004(2)	2003
Sales	\$12,744	\$10,729	\$7,032
Gross profit	\$ 3,063	\$ 3,382	\$2,178
Net income	\$ 1,927	\$ 1,838	\$ 786

(1) The summarized income statement information for 2005 includes the results for DDE from January 1, 2005 through June 30, 2005, and the results for UOP from January 1, 2005 through November 30, 2005.

(2) The summarized income statement information for 2004 includes the results for MEGlobal and Equipolymers from July 1, 2004 through December 31, 2004.

Dividends received from the Company's nonconsolidated affiliates were \$495 million in 2005, \$370 million in 2004 and \$130 million in 2003.

The Company has service agreements with some of these entities, including contracts to manage the operations of manufacturing sites and the construction of new facilities; licensing and technology agreements; and marketing, sales, purchase and lease agreements. Sales to MEGlobal represented approximately 15 percent of the sales in the Chemicals segment and approximately 4 percent of the sales in the Hydrocarbons and Energy segment (approximately 2 percent of total sales for the Company). Excess ethylene glycol produced in Dow's plants in the United States and Europe is sold to MEGlobal. Transactions with nonconsolidated affiliates and balances due to and due from these entities were not material to the consolidated financial statements.

NOTE H - GOODWILL AND OTHER INTANGIBLE ASSETS

The following table shows changes in the carrying amount of goodwill for the year ended December 31, 2005, by operating segment:

In millions	Performance Plastics	Performance Chemicals	Agricultural Sciences	Plastics	Hydrocarbons and Energy	Total
Goodwill at December 31, 2004	\$913	\$750	\$1,320	\$106	\$63	\$3,152
Negative goodwill related to acquisition of remaining 28% interest in PBBPolisur S.A.	-	-	-	(12)	-	(12)
Goodwill at December 31, 2005	\$913	\$750	\$1,320	\$ 94	\$63	\$3,140

In the first quarter of 2004, the Company made the decision to discontinue production of HAMPOSYL™ surfactants manufactured by Hampshire Chemical, following a period of time during which the Specialty Chemicals business had experienced a significant decline in sales of these surfactants. The Company's efforts to reach an acceptable agreement to sell this line of business were unsuccessful. As a result of the decision to discontinue production, the Company wrote off goodwill of \$13 million (included in "Amortization of intangibles") associated with this line of business in the Performance Chemicals segment. See Note F regarding a related write-down of assets. The manufacturing facility was shut down in the third quarter of 2004; demolition was substantially completed in the fourth quarter of 2005.

In the second quarter of 2004, the Company wrote off goodwill of \$18 million (included in "Restructuring activities - net charge (gain)") associated with the DAXAD™ dispersant and glycine businesses (Performance Chemicals segment), following the completion of an impairment calculation related to a continued decline in the sales of this line of products manufactured by Hampshire Chemical. See Notes B, F and G for additional information.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE H – Goodwill and Other Intangible Assets – Continued

During the fourth quarter of 2005, the Company performed impairment tests for goodwill in conjunction with its annual budgeting process. As a result of this review, it was determined that no additional goodwill impairments existed.

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

Other Intangible Assets at December 31	2005			2004		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
In millions						
Intangible assets with finite lives:						
Licenses and intellectual property	\$264	\$(138)	\$126	\$ 289	\$(138)	\$151
Patents	147	(103)	44	154	(95)	59
Software	362	(224)	138	352	(193)	159
Trademarks	136	(37)	99	139	(31)	108
Other	86	(50)	36	108	(50)	58
Total other intangible assets	\$995	\$(552)	\$443	\$1,042	\$(507)	\$535

In the fourth quarter of 2005, following a review of non-strategic and underperforming assets, the Company wrote off the \$10 million net book value of other intangible assets received in a 1992 acquisition. The charge was included in "Restructuring activities - net charge (gain)" in the Unallocated and Other segment.

During 2005, the Company acquired software for \$26 million. The weighted-average amortization period for the acquired software is five years.

Amortization expense for other intangible assets (not including software) was \$55 million in 2005, \$68 million in 2004 and \$63 million in 2003. Amortization expense for software, which is included in "Cost of sales," totaled \$45 million in 2005, \$41 million in 2004 and \$29 million in 2003. Total estimated amortization expense for the next five fiscal years is as follows:

Estimated Amortization Expense for Next Five Years	
In millions	
2006	\$89
2007	\$80
2008	\$75
2009	\$37
2010	\$21

NOTE I – FINANCIAL INSTRUMENTS

Investments

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

Investing Results			
In millions	2005	2004	2003
Proceeds from sales of available-for-sale securities	\$1,180	\$1,673	\$1,530
Gross realized gains	\$ 52	\$ 41	\$ 31
Gross realized losses	\$ (19)	\$ (9)	\$ (21)

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

Contractual Maturities of Debt Securities at December 31, 2005		
In millions	Amortized Cost	Fair Value
Within one year	\$ 68	\$ 68
One to five years	399	393
Six to ten years	269	266
After ten years	613	612
Total	\$1,349	\$1,339

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

Risk Management

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. The Company uses value at risk and stress tests to monitor risk. Credit risk arising from these contracts is not significant because the counterparties to these contracts are primarily major international financial institutions and, to a lesser extent, major chemical and petroleum companies. The Company does not anticipate losses from credit risk. The net cash requirements arising from risk management activities are not expected to be material in 2006. The Company reviews its overall financial strategies and impacts from using derivatives in its risk management program with the Board of Directors' Finance Committee and revises its strategies as market conditions dictate.

The Company minimizes concentrations of credit risk through its global orientation in diverse businesses with a large number of diverse customers and suppliers. No significant concentration of credit risk existed at December 31, 2005.

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.

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 December 31, 2005, the Company had forward contracts, options and cross-currency swaps to buy, sell or exchange foreign currencies. These contracts, options and cross-currency swaps had various expiration dates, primarily in the first quarter of 2006.

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 December 31, 2005, the Company had futures contracts, options and swaps to buy, sell or exchange commodities. These agreements had various expiration dates in 2006 and 2007.

Fair Value of Financial Instruments at December 31

In millions	2005				2004			
	Cost	Gain	Loss	Fair Value	Cost	Gain	Loss	Fair Value
Marketable securities:								
Debt securities	\$ 1,349	\$ 12	\$ (22)	\$ 1,339	\$ 1,365	\$ 34	\$ (8)	\$ 1,391
Equity securities	680	28	(26)	682	699	48	(4)	743
Other	-	-	-	-	1	-	-	1
Total marketable securities	\$ 2,029	\$ 40	\$ (48)	\$ 2,021	\$ 2,065	\$ 82	\$ (12)	\$ 2,135
Long-term debt including debt due within one year (1)	\$(10,465)	\$ 7	\$(594)	\$(11,052)	\$(12,490)	\$ 3	\$(857)	\$(13,344)
Derivatives relating to:								
Foreign currency	-	\$ 35	\$ (41)	\$ (6)	-	\$109	\$(289)	\$ (180)
Interest rates	-	\$ 5	\$ (7)	\$ (2)	-	\$ 15	\$ (3)	\$ 12
Commodities	-	\$129	\$ (66)	\$ 63	-	\$101	\$ (20)	\$ 81

(1) Cost includes fair value adjustments per SFAS No. 133 of \$54 million in 2005 and \$93 million in 2004.

Cost approximates fair value for all other financial instruments.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE I – Financial Instruments – Continued

The following tables provide the fair value and gross unrealized losses of the Company's investments, which have been deemed to be temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2005 and 2004:

Temporarily Impaired Securities at December 31, 2005						
In millions	<i>Less than 12 months</i>		<i>12 months or more</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>
Debt securities:						
U.S. Treasury obligations and direct obligations of U.S. government agencies	\$165	\$ (2)	\$ 48	\$ (1)	\$ 213	\$ (3)
Federal agency mortgage-backed securities	282	(5)	117	(3)	399	(8)
Corporate bonds	148	(5)	91	(4)	239	(9)
Other	58	(1)	37	(1)	95	(2)
Total debt securities	\$653	\$(13)	\$293	\$ (9)	\$ 946	\$(22)
Equity securities	255	(22)	2	(1)	257	(23)
Total temporarily impaired securities	\$908	\$(35)	\$295	\$(10)	\$1,203	\$(45)

Temporarily Impaired Securities at December 31, 2004						
In millions	<i>Less than 12 months</i>		<i>12 months or more</i>		<i>Total</i>	
	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>	<i>Fair Value</i>	<i>Unrealized Losses</i>
Debt securities:						
U.S. Treasury obligations and direct obligations of U.S. government agencies	\$248	\$ (2)	-	-	\$248	\$ (2)
Federal agency mortgage-backed securities	200	(2)	-	-	200	(2)
Corporate bonds	142	(2)	-	-	142	(2)
Other	62	(2)	-	-	62	(2)
Total debt securities	\$652	\$ (8)	-	-	\$652	\$ (8)
Equity securities	8	(2)	\$3	\$(2)	11	(4)
Total temporarily impaired securities	\$660	\$(10)	\$3	\$(2)	\$663	\$(12)

Portfolio managers and external investment 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 impairment. As a matter of policy, the Company does not invest in debt securities that are below investment grade.

For equity securities, the Company's investment guidelines require investment in Standard & Poor's ("S&P") 500 companies and allow investment in up to 25 companies outside of the S&P 500. These holdings are primarily large cap stocks and, therefore, the likelihood of them becoming other-than-temporarily impaired is not as high as with other less established companies. The Company has the ability and the intent to hold these investments until they provide an acceptable return.

The aggregate cost of the Company's cost method investments totaled \$71 million at December 31, 2005 and \$70 million at December 31, 2004. Due to the nature of these investments, the fair market value for impairment testing is not readily determinable. These investments are reviewed for liquidation events. There were no material liquidation events or circumstances at December 31, 2005 that would result in an adjustment to the cost basis of these investments. Of the \$70 million cost method investments at December 31, 2004, \$14 million was liquidated during 2005.

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

Accounting for Derivative Instruments and Hedging Activities

At December 31, 2005, the Company had interest rate swaps in a net loss position of \$1 million designated as fair value hedges of underlying fixed rate debt obligations. These hedges had various expiration dates in 2006 through 2011. At December 31, 2004, the Company had interest rate swaps in a net gain position of \$14 million designated as fair value hedges of underlying fixed rate debt obligations. These hedges had various expiration dates in 2005 through 2011. The mark-to-market effects of both the fair value hedge instruments and the underlying debt obligations were recorded as unrealized gains and losses in interest expense and are directly offsetting to the extent the hedges are effective. The effective portion of the mark-to-market effects of cash flow hedge instruments is recorded in "Accumulated other comprehensive income (loss)" ("AOCI") until the underlying interest payment affects income. The net loss from previously terminated interest rate cash flow hedges included in AOCI at December 31, 2005 was \$33 million after tax (\$41 million after tax at December 31, 2004). The amount to be reclassified from AOCI to interest expense within the next 12 months is expected to be a net loss of \$8 million. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. Interest rate cash flow hedges outstanding at December 31, 2005 were immaterial. There were no interest rate cash flow hedges outstanding at December 31, 2004. During 2005, 2004 and 2003, there was no material impact on the consolidated financial statements due to interest rate hedge ineffectiveness. Net gains recorded in interest expense related to fair value hedge terminations were \$20 million in 2005, \$26 million in 2004 and \$27 million in 2003. Unamortized gains relating to terminated fair value hedges were \$55 million at December 31, 2005 and \$80 million at December 31, 2004. In 2005, net losses of \$11 million (net losses of \$13 million in 2004) related to cash flow hedge terminations were recorded in "Cost of sales." There was no material impact on the consolidated financial statements due to cash flow hedge terminations in 2003.

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 August 2007. The effective portion of the mark-to-market effect of the cash flow hedge instrument is recorded in AOCI until the underlying commodity purchase affects income. The net gain from commodity hedges included in AOCI at December 31, 2005 was \$52 million after tax (\$88 million after tax at December 31, 2004). A net after-tax gain of approximately \$48 million is expected to be reclassified from AOCI to "Cost of sales" in the consolidated statements of income within the next 12 months. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During 2005, 2004 and 2003, there was no material impact on the consolidated financial statements due to commodity hedge ineffectiveness.

In addition, the Company utilizes option and swap instruments that are effective as economic hedges of commodity price exposures, but do not meet the hedge accounting criteria of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended and interpreted. At December 31, 2005, the Company had derivative assets of \$2 million and derivative liabilities of \$36 million related to these instruments, with the related mark-to-market effects included in "Cost of sales" in the consolidated statements of income. At December 31, 2004, the Company had derivative assets of \$2 million and derivative liabilities of \$3 million related to these instruments.

At December 31, 2005, the Company had foreign currency forward contracts in a net loss position of \$4 million (\$3 million at December 31, 2004) designated as cash flow hedges of underlying forecasted purchases of feedstocks in Europe. Current open contracts hedge forecasted transactions until August 2006. The effective portion of the mark-to-market effects of the foreign currency forward contracts is recorded in AOCI until the underlying feedstock purchase affects income. The net loss from the foreign currency hedges included in AOCI at December 31, 2005 was \$4 million after tax (\$3 million after tax at December 31, 2004). A net after-tax loss of approximately \$4 million is expected to be reclassified from AOCI to "Cost of sales" in the consolidated statements of income within the next 12 months. The unrealized amounts in AOCI will fluctuate based on changes in the fair value of open contracts at the end of each reporting period. During 2005, 2004 and 2003, there was no material impact on the consolidated financial statements due to foreign currency hedge ineffectiveness.

The results of hedges of the Company's net investment in foreign operations included in the cumulative translation adjustment in AOCI was a net gain of \$105 million (\$66 million after tax) at December 31, 2005 and a net loss of \$147 million (\$93 million after tax) at December 31, 2004. During 2005, 2004 and 2003, there was no material impact on the consolidated financial statements due to hedge ineffectiveness.

Derivative assets, excluding commodity and foreign exchange derivative assets expected to settle in 2006, are included in "Deferred charges and other assets" in the consolidated balance sheets; commodity derivative assets expected to settle in 2006 are included in "Accounts and notes receivable - Other." Foreign exchange derivative liabilities are included in "Accounts payable - Other;" other derivative liabilities are included in "Accrued and other current liabilities." The short-cut method under SFAS No. 133 is being used when the criteria are met. 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. The Company also uses other derivative instruments that are not designated as hedging instruments, primarily to manage foreign currency exposure, the impact of which was not material to the consolidated financial statements.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE J - SUPPLEMENTARY INFORMATION

Accrued and Other Current Liabilities

"Accrued and other current liabilities" were \$2,342 million at December 31, 2005 and \$2,680 million at December 31, 2004. Accrued payroll, which is a component of "Accrued and other current liabilities," was \$533 million at December 31, 2005 and \$688 million at December 31, 2004. No other accrued liabilities were more than 5 percent of total current liabilities.

Sundry Income - Net			
In millions	2005	2004	2003
Gain on sales of assets and securities (1)	\$806	\$129	\$117
Foreign exchange gain	20	8	13
Dividend income	7	6	5
Other - net (2)	(78)	(7)	11
Total sundry income - net	\$755	\$136	\$146

(1) 2005 included a gain of \$637 million on the sale of Union Carbide's indirect 50 percent interest in UOP and a gain of \$70 million on the sale of a 2.5 percent interest in EQUATE, a Union Carbide joint venture. 2004 included a gain of \$90 million on the sale of the DERAKANE epoxy vinyl ester resin business. 2003 included a gain of \$47 million on the sale of several product lines of Amerchol Corporation, a wholly owned subsidiary.

(2) 2005 included a cash donation of \$100 million to The Dow Chemical Company Foundation.

Other Supplementary Information			
In millions	2005	2004	2003
Cash payments for interest	\$788	\$780	\$861
Cash payments for income taxes	\$848	\$553	\$242
Provision for doubtful receivables (1)	\$ 58	\$ 36	\$ 4

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

Earnings Per Share Calculations						
In millions, except per share amounts	2005		2004		2003	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income before cumulative effect of changes in accounting principles	\$4,535	\$4,535	\$2,797	\$2,797	\$1,739	\$1,739
Cumulative effect of changes in accounting principles	(20)	(20)	-	-	(9)	(9)
Net income available for common stockholders	\$4,515	\$4,515	\$2,797	\$2,797	\$1,730	\$1,730
Weighted-average common shares outstanding	963.2	963.2	940.1	940.1	918.8	918.8
Add dilutive effect of stock options and awards	-	13.6	-	13.7	-	7.3
Weighted-average common shares for EPS calculations	963.2	976.8	940.1	953.8	918.8	926.1
Earnings per common share before cumulative effect of changes in accounting principles	\$ 4.71	\$ 4.64	\$ 2.98	\$ 2.93	\$ 1.89	\$ 1.88
Earnings per common share	\$ 4.69	\$ 4.62	\$ 2.98	\$ 2.93	\$ 1.88	\$ 1.87
Stock options and deferred stock awards excluded from EPS calculations (1)		5.1		4.6		20.5

(1) Outstanding options to purchase shares of common stock (in all years presented) and deferred stock awards (in 2005 only) that were not included in the calculation of diluted earnings per share because the effect of including them would have been antidilutive.

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

Sales of Accounts Receivable

Since 1997, the Company has routinely sold, without recourse, a participation in pools of qualifying trade accounts receivable. According to the agreements of the various programs, Dow maintains the servicing of these receivables. As receivables in the pools are collected, new receivables are added. The maximum amount of receivables available for sale in the pools was \$1,593 million in 2005, \$1,681 million in 2004 and \$1,600 million in 2003. The average monthly participation in the pools was \$349 million in 2005, \$535 million in 2004 and \$889 million in 2003.

The net cash flow in any given period represents the discount on sales, which is recorded as interest expense. The average monthly discount was approximately \$0.9 million in 2005, \$0.5 million in 2004 and \$1.3 million in 2003.

Sale of Noncurrent Receivable

During 2003, the Company sold, without recourse, a noncurrent receivable representing the Company's interest in life insurance policies held on a group of key employees for \$335 million. The resulting discount from the sale of the Company's interest in these life insurance policies was \$29 million.

NOTE K – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

Breast Implant Matters

On May 15, 1995, Dow Corning Corporation ("Dow Corning"), in which the Company is a 50 percent shareholder, voluntarily filed for protection under Chapter 11 of the Bankruptcy Code to resolve litigation related to Dow Corning's breast implant and other silicone medical products. On June 1, 2004, Dow Corning's Joint Plan of Reorganization (the "Joint Plan") became effective and Dow Corning emerged from bankruptcy. The Joint Plan contains release and injunction provisions resolving all tort claims brought against various entities, including the Company, involving Dow Corning's breast implant and other silicone medical products.

To the extent not previously resolved in state court actions, cases involving Dow Corning's breast implant and other silicone medical products filed against the Company were transferred to the U.S. District Court for the Eastern District of Michigan (the "District Court") for resolution in the context of the Joint Plan. On October 6, 2005, all such cases then pending in the District Court against the Company were dismissed. Should cases involving Dow Corning's breast implant and other silicone medical products be filed against the Company in the future, they will be accorded similar treatment. It is the opinion of the Company's management that the possibility is remote that a resolution of all future cases will have a material adverse impact on the Company's consolidated financial statements.

As part of the Joint Plan, Dow and Corning Incorporated have agreed to provide a credit facility to Dow Corning in an aggregate amount of \$300 million. The Company's share of the credit facility is \$150 million and is subject to the terms and conditions stated in the Joint Plan. At December 31, 2005, no draws had been taken against the credit facility.

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 adverse impact on the Company's consolidated financial statements.

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. The Company had accrued obligations of \$380 million at December 31, 2004, for environmental remediation and restoration costs, including \$45 million for the remediation of Superfund sites. At December 31, 2005, the Company had accrued obligations of \$339 million for environmental remediation and restoration costs, including \$41 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 the ultimate cost with respect to these particular matters could range up to twice that amount. Inherent uncertainties exist in these estimates primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability, and evolving technologies for handling site remediation and restoration.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE K – Commitments and Contingent Liabilities – Continued

The following table summarizes the activity in the Company's accrued obligations for environmental matters for the years ended December 31, 2005 and 2004:

Accrued Obligations for Environmental Matters		
In millions	2005	2004
Balance at January 1	\$ 380	\$381
Additional accruals	82	85
Charges against reserve	(124)	(89)
Adjustments to reserve	1	3
Balance at December 31	\$ 339	\$380

The amounts charged to income on a pretax basis related to environmental remediation totaled \$79 million in 2005, \$85 million in 2004 and \$68 million in 2003. Capital expenditures for environmental protection were \$150 million in 2005, \$116 million in 2004 and \$132 million in 2003.

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 Midland area soils; Tittabawassee and Saginaw River sediment and floodplain soils; and Saginaw Bay. The License required the Company, by August 11, 2003, to propose a detailed Scope of Work for the off-site investigation for review and approval by the MDEQ. Revised Scopes of Work were approved by the MDEQ on October 18, 2005. Discussions between the Company and the MDEQ that occurred in 2004 and early 2005 regarding how to proceed with off-site corrective action under the License resulted in the execution of the Framework for an Agreement Between the State of Michigan and The Dow Chemical Company (the "Framework") on January 20, 2005. The Framework commits the Company to take certain immediate interim remedial actions in the City of Midland and along the Tittabawassee River, conduct certain studies, and propose a remedial investigation work plan by the end of 2005. The Company submitted Remedial Investigation Work Plans for the City of Midland and for the Tittabawassee River on December 29, 2005. The interim remedial actions required by the Framework are currently underway. The Framework also contemplates that the Company, the State of Michigan and other federal and tribal governmental entities will negotiate the terms of an agreement or agreements to resolve potential governmental claims against the Company related to historical off-site contamination associated with the Midland site. The Company and the governmental parties began to meet in the fall of 2005 and entered into a Confidentiality Agreement in December 2005. At the end of 2004, the Company had an accrual for off-site corrective action of \$12 million (included in the total accrued obligation of \$380 million at December 31, 2004) based on the range of activities that the Company proposed and discussed implementing with the MDEQ and which is set forth in the Framework. At December 31, 2005, the accrual for off-site corrective action was \$3 million (included in the total accrued obligation of \$339 million at December 31, 2005).

It is the opinion of the Company's management that the possibility is remote that costs in excess of those disclosed will have a material adverse impact on the Company's consolidated financial statements.

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.

Influenced by the bankruptcy filings of numerous defendants in asbestos-related litigation and the prospects of various forms of state and national legislative reform, the rate at which plaintiffs filed asbestos-related suits against various companies, including Union Carbide and Amchem, increased in 2001, 2002 and the first half of 2003. Since then, the rate of filing has significantly abated. 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.

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. At each balance sheet date, Union Carbide compares current asbestos claim and resolution activity to the assumptions in the ARPC study to determine whether the accrual continues to be appropriate.

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In November 2004, Union Carbide requested ARPC to review Union Carbide's historical asbestos claim and resolution activity and determine the appropriateness of updating its January 2003 study. In response to that request, ARPC reviewed and analyzed data through November 14, 2004, and again concluded that it was not possible to estimate the full range of the cost of resolving future asbestos-related claims against Union Carbide and Amchem because of various uncertainties associated with the litigation of those claims. ARPC did advise Union Carbide, however, that it was reasonable and feasible to construct a new estimate of the cost to Union Carbide of resolving current and future asbestos-related claims using the same two widely used forecasting methodologies used by ARPC in its January 2003 study, if certain assumptions were made. As a result, the following assumptions were made and then used by ARPC:

- The number of future claims to be filed annually against Union Carbide and Amchem is unlikely to exceed the level of claims experienced during 2004.
- The number of claims filed against Union Carbide and Amchem annually from 2001 to 2003 is considered anomalous for the purpose of estimating future filings.
- The number of future claims to be filed against Union Carbide and Amchem will decline at a fairly constant rate each year from 2005.
- The average resolution value for pending and future claims will be equivalent to those experienced during 2003 and 2004 (excluding settlements from closed claims filed in Madison County, Illinois with respect to future claims, as changes in the judicial environment in Madison County caused the historical experience of claims in that jurisdiction to not be predictive of results for future claims).

The resulting study completed by ARPC in January 2005 stated that the undiscounted cost to Union Carbide of resolving pending and future asbestos-related claims against Union Carbide and Amchem, excluding future defense and processing costs, through 2017 was estimated to be between approximately \$1.5 billion and \$2.0 billion, depending on which of two accepted methodologies was used. At December 31, 2004, Union Carbide's recorded asbestos-related liability for pending and future claims was \$1.6 billion. Based on the low end of the range in the January 2005 study, Union Carbide's recorded asbestos-related liability for pending and future claims at December 31, 2004 would be sufficient to resolve asbestos-related claims against Union Carbide and Amchem into 2019. As in its January 2003 study, ARPC did provide estimates for a longer period of time in its January 2005 study, but also reaffirmed its prior advice that forecasts for shorter periods of time are more accurate than those for longer periods of time. Based on ARPC's studies, Union Carbide's asbestos litigation experience, and the uncertainties surrounding asbestos litigation and legislative reform efforts, Union Carbide's management determined that no change to the accrual was required at December 31, 2004.

In November 2005, Union Carbide requested ARPC to review Union Carbide's 2005 asbestos claim and resolution activity and determine the appropriateness of updating the January 2005 study. In response to that request, ARPC reviewed and analyzed data through October 31, 2005. In January 2006, ARPC stated that an update of the study would not provide a more likely estimate of future events than the estimate reflected in its study of the previous year and, therefore, the estimate in that study remained applicable. Based on Union Carbide's own review of the asbestos claim and resolution activity and ARPC's response, Union Carbide determined that no change to the accrual was required at December 31, 2005.

Union Carbide's asbestos-related liability for pending and future claims was \$1.5 billion at December 31, 2005 and \$1.6 billion at December 31, 2004. At December 31, 2005, approximately 39 percent of the recorded liability related to pending claims and approximately 61 percent related to future claims. At December 31, 2004, approximately 37 percent of the recorded liability related to pending claims and approximately 63 percent related to future claims.

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.

Union Carbide's receivable for insurance recoveries related to its asbestos liability was \$535 million at December 31, 2005 and \$712 million at December 31, 2004. At December 31, 2005, \$398 million (\$543 million at December 31, 2004) 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.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE K – Commitments and Contingent Liabilities – Continued

In addition, Union Carbide had receivables for defense and resolution costs submitted to insurance carriers for reimbursement as follows:

Receivables for Costs Submitted to Insurance Carriers at December 31		
In millions	2005	2004
Receivables for defense costs	\$ 73	\$ 85
Receivables for resolution costs	327	406
Total	\$400	\$491

Union Carbide expenses defense costs as incurred. The pretax impact for defense and resolution costs, net of insurance, was \$75 million in 2005, \$82 million in 2004 and \$94 million in 2003, and was reflected in "Cost of sales."

In September 2003, Union Carbide filed a comprehensive insurance coverage case in the Circuit Court for Kanawha County in Charleston, West Virginia, seeking to confirm its rights to insurance for various asbestos claims (the "West Virginia action") and to facilitate an orderly and timely collection of insurance proceeds. Although Union Carbide already has settlements in place concerning coverage for asbestos claims with many of its insurers, including those covered by the 1985 Wellington Agreement, this lawsuit 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. In early 2004, several of the defendant insurers in the West Virginia action filed a competing action in the Supreme Court of the State of New York, County of New York. As a result of motion practice, the West Virginia action was dismissed in August 2004 on the basis of *forum non conveniens* (i.e., West Virginia is an inconvenient location for the parties). The comprehensive insurance coverage litigation is now proceeding in the New York courts (the "New York action"). The insurance carriers are contesting this litigation. Through the fourth quarter of 2005, Union Carbide reached settlements with several of the carriers involved in the New York action. After a further 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 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.

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 adverse 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 adverse 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. DuPont Dow Elastomers L.L.C. ("DDE"), a former 50:50 joint venture with E.I. du Pont de Nemours and Company ("DuPont"), and certain subsidiaries of the Company (but as to the investigation in Europe only) have responded, or are in the process of responding, to requests for documents and are otherwise cooperating in the investigations. Separately, related civil actions have been filed in various U.S. federal and state courts. Certain of these actions have named the Company.

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On April 8, 2004, DuPont issued a press release stating that DuPont and the Company had entered into a series of agreements that, among other things: enabled DuPont to direct DDE's response to these investigations and related litigation; resulted in DuPont funding 100 percent of any potential DDE liabilities and costs up to \$150 million, with DuPont also funding more than 75 percent of the excess, if any; and granted the Company the option to acquire certain DDE assets in a cashless transaction which, if exercised, would obligate DuPont to acquire the Company's remaining equity interest in DDE. DuPont concurrently announced on April 8, 2004, that it was taking a charge of \$150 million related to anticipated expenses. On January 19, 2005, the U.S. Department of Justice announced that DDE had agreed to plead guilty to one count of price fixing in the polychloroprene industry and accept a fine of \$84 million. Also on January 19, 2005, DuPont announced that it was taking an additional charge of \$118 million related to DDE. On March 31, 2005, the U.S. Federal District Court (N.D. California) accepted the proposed plea arrangement. Based on the Company's agreement with DuPont, the Company expects that its responsibility with respect to these DDE liabilities will not be material.

Additionally, on January 3, 2005, the Company and DuPont announced that the Company had exercised its option to acquire certain assets relating to ethylene elastomers and chlorinated elastomers from DDE, including ENGAGETM, NORDELTM and TYRINTM elastomers, through an equity redemption transaction involving the Company's equity interest in DDE. As a result of this option exercise, DuPont purchased the Company's remaining equity interest in DDE for \$87 million; the dissolution of the joint venture was completed on June 30, 2005. As a result of this transaction, the Company decreased its investment in nonconsolidated affiliates and recorded \$324 million in net property, \$122 million in inventories, and \$48 million in other net assets.

On June 10, 2005, the Company received a Statement of Objections from the European Commission stating that it believed that the Company and certain subsidiaries of the Company, together with other participants in the synthetic rubber industry, engaged in conduct in violation of European competition laws. It is expected that the European Commission will seek to impose a fine on the Company, the amount of which will be calculated taking into account the gravity of the violation, the role played by the participants, the duration of their participation and their importance in the synthetic rubber industry.

Other Litigation Matters

In addition to the breast implant, DBCP, environmental and synthetic rubber industry matters, 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 provide coverage that will be utilized to minimize the impact, if any, of the contingencies described above.

Summary

Except for the possible effect of Union Carbide's asbestos-related liability 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 Company's consolidated financial statements.

Purchase Commitments

At December 31, 2005, the Company had 15 major agreements (16 in 2004 and seven in 2003) for the purchase of ethylene-related products globally. The purchase prices are determined on a cost-of-service basis, which, in addition to covering all operating expenses and debt service costs, provides the owner of the manufacturing plants with a specified return on capital. Total purchases under these agreements were \$1,175 million in 2005, \$1,063 million in 2004 and \$676 million in 2003. The Company's commitments associated with all of these agreements are included in the table below.

At December 31, 2005, the Company had various outstanding commitments for take or pay and throughput agreements, including the purchase agreements referred to above. Such commitments were at prices not in excess of current market prices. The terms of all but two of these agreements extend from one to 25 years. One agreement has terms extending to 75 years; another has indefinite terms. The determinable future commitments for these latter two agreements are included for 10 years in the following table which presents the fixed and determinable portion of obligations under the Company's purchase commitments at December 31, 2005:

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE K – Commitments and Contingent Liabilities – Continued

Fixed and Determinable Portion of Take or Pay and Throughput Obligations at December 31, 2005	
<i>In millions</i>	
2006	\$ 2,390
2007	2,204
2008	2,031
2009	1,791
2010	1,566
2011 and beyond	6,512
Total	\$16,494

In addition to the take or pay obligations at December 31, 2005, the Company had outstanding commitments which ranged from one to six years for steam, electrical power, materials, property and other items used in the normal course of business of approximately \$156 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 relates to debt of nonconsolidated affiliates, which have expiration dates ranging from less than one year to nine years, and trade financing transactions in Latin America, which typically expire within one year of their inception.

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 table provides 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 December 31, 2005	<i>Final</i>	<i>Maximum Future</i>	<i>Recorded</i>
<i>In millions</i>	<i>Expiration</i>	<i>Payments</i>	<i>Liability</i>
Guarantees	2014	\$ 401	\$19
Residual value guarantees	2015	1,158	5
Total guarantees		\$1,559	\$24

Guarantees at December 31, 2004	<i>Final</i>	<i>Maximum Future</i>	<i>Recorded</i>
<i>In millions</i>	<i>Expiration</i>	<i>Payments</i>	<i>Liability</i>
Guarantees	2018	\$ 729	\$202
Residual value guarantees	2015	1,342	4
Total guarantees		\$2,071	\$206

In January 2005, the Company contributed \$170 million to Cargill Dow, a 50:50 joint venture at the time, and obtained a release from its commitments with respect to Cargill Dow's debt obligations. On January 31, 2005, Dow transferred its 50 percent interest in Cargill Dow to Cargill. See Note B for additional information.

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Notes to the Consolidated Financial Statements

Asset Retirement Obligations

In accordance with SFAS No. 143, as interpreted by FIN No. 47, the Company has recognized asset retirement obligations for the following activities: demolition and remediation activities at manufacturing sites in the United States and Europe; capping activities at landfill sites in the United States, Canada, Italy and Brazil; and asbestos encapsulation as a result of planned demolition and remediation activities at manufacturing and administrative sites in the United States, Canada and Europe. See Note A for additional information.

The aggregate carrying amount of asset retirement obligations recognized by the Company was \$92 million at December 31, 2005 and \$57 million at December 31, 2004. These obligations are included in the consolidated balance sheets as "Other noncurrent obligations."

The following table shows changes in the aggregate carrying amount of the Company's asset retirement obligations for the year ended December 31, 2005:

Asset Retirement Obligations	
In millions	2005
Balance at January 1	\$57
Additional accruals	9
Impact of adopting FIN No. 47	34
Payments on accruals	(5)
Accretion expense	1
Revisions in estimated cash flows	-
Other	(4)
Balance at December 31	\$92

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

Notes Payable at December 31		
In millions	2005	2004
Notes payable to banks	\$207	\$ 86
Notes payable to related companies	34	18
Total notes payable	\$241	\$104
Year-end average interest rates	3.96%	5.93%

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE L – Notes Payable, Long-Term Debt and Available Credit Facilities – Continued

Long-Term Debt at December 31		2005		2004	
<i>In millions</i>	<i>Average Rate</i>	<i>2005</i>	<i>Average Rate</i>	<i>2004</i>	
Promissory notes and debentures:					
Final maturity 2005	-	-	6.91%	\$ 551	
Final maturity 2006	8.64%	\$ 189	9.92%	213	
Final maturity 2007	5.04%	509	5.04%	508	
Final maturity 2008	5.75%	491	5.75%	488	
Final maturity 2009	6.75%	693	6.32%	1,207	
Final maturity 2010	9.13%	279	9.13%	272	
Final maturity 2011 and thereafter (1)	6.87%	3,737	6.93%	3,865	
Foreign bonds:					
Final maturity 2006, Japanese yen	0.71%	255	0.71%	290	
Other facilities:					
U.S. dollar loans – various rates and maturities	3.82%	4	4.34%	68	
Foreign currency loans – various rates and maturities	1.77%	41	2.18%	42	
Medium-term notes, varying maturities through 2022	5.47%	857	5.51%	1,118	
Foreign medium-term notes, various rates and maturities	5.39%	1	5.15%	3	
Foreign medium-term notes, final maturity 2006, Euro	5.00%	714	5.00%	822	
Foreign medium-term notes, final maturity 2007, Euro	5.63%	611	5.63%	709	
Foreign medium-term notes, final maturity 2010, Euro	4.37%	477	4.37%	546	
Foreign medium-term notes, final maturity 2011, Euro	4.62%	602	4.62%	687	
Pollution control/industrial revenue bonds, varying maturities through 2033	4.79%	1,009	4.64%	1,114	
Unexpended construction funds	-	-	-	(2)	
Capital lease obligations	-	40	-	46	
Unamortized debt discount	-	(44)	-	(57)	
Long-term debt due within one year (1)	-	(1,279)	-	(861)	
Total long-term debt	-	\$ 9,186	-	\$11,629	

(1) Between April 1 and May 1, 2005, holders of \$250 million of debentures due in 2025 could have elected to have their debentures repaid by the Company on June 1, 2005. Accordingly, the \$250 million was included in "Long-term debt due within one year" at December 31, 2004. At December 31, 2005, \$12 million of the debentures remained and was included in "Long-Term Debt."

**Annual Installments on Long-Term Debt
for Next Five Years**

<i>In millions</i>	
2006	\$1,279
2007	\$1,248
2008	\$ 579
2009	\$ 781
2010	\$ 917

The Company had unused and committed credit facilities at December 31, 2005 with various U.S. and foreign banks totaling \$3.0 billion in support of its commercial paper borrowings and working capital requirements. These facilities include a \$1.25 billion 364-day revolving credit facility, which matures in April 2006, and a \$1.75 billion 5-year revolving credit facility, which matures in April 2009.

The Company's outstanding public debt of \$10.4 billion has been issued under indentures which contain, among other provisions, covenants with which the Company must comply while the underlying notes are outstanding. Such covenants include obligations not to 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. 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 subject notes.

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Notes to the Consolidated Financial Statements

The Company's primary credit agreements contain covenant and default provisions in addition to the covenants set forth above with respect to the Company's public debt. Significant other covenants and defaults 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 primary credit agreements exceeds \$500 million,
- (b) a default if the Company or an applicable subsidiary fails to make any payment on indebtedness of \$50 million or more when due, or any other default under the applicable agreement permits the acceleration of \$200 million or more of principal, or results in the acceleration of \$100 million or more of principal, and
- (c) a default if the Company or any applicable subsidiary fails to discharge or stay within 30 days after the entry of a final judgment of more than \$200 million.

Failure of the Company to comply with any of the covenants could result in a default under the applicable credit agreement which would allow the lenders not to fund future loan requests and to accelerate the due date of the outstanding principal and accrued interest on any outstanding loans.

At December 31, 2005, the Company was in compliance with all of the covenants and default provisions referred to above.

NOTE M – PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

Pension Plans

The Company has defined benefit pension plans that cover employees in the United States and a number of other countries. The U.S. funded plan covering the parent company is the largest plan. Benefits are based on length of service and the employee's three highest consecutive years of compensation.

The Company's funding policy is to contribute to those plans when pension laws and economics either require or encourage funding. In 2005, Dow contributed \$1,031 million to its pension plans. Dow expects to contribute \$500 million to its pension plans in 2006. The Company also has non-qualified supplemental pension plans.

The weighted-average assumptions used to determine pension plan obligations and net periodic benefit costs for the plans are provided below:

Weighted Average Assumptions for All Pension Plans	Benefit Obligations at December 31		Net Periodic Costs for the Year	
	2005	2004	2005	2004
Discount rate	5.39%	5.68%	5.68%	6.09%
Rate of increase in future compensation levels	4.27%	4.29%	4.29%	4.28%
Expected long-term rate of return on plan assets	-	-	8.24%	8.50%

Weighted-Average Assumptions for U.S. Pension Plans	Benefit Obligations at December 31		Net Periodic Costs for the Year	
	2005	2004	2005	2004
Discount rate	5.72%	5.875%	5.875%	6.25%
Rate of increase in future compensation levels	4.50%	4.50%	4.50%	4.50%
Expected long-term rate of return on plan assets	-	-	8.75%	9.00%

The Company determines the expected long-term rate of return on plan assets by performing a bottom-up analysis of historical and expected returns based on the strategic asset allocation approved by the Finance Committee of the Board of Directors and the underlying return fundamentals of each asset class. The Company's historical experience with the pension fund asset performance and comparisons to expected returns of peer companies with similar fund assets are also considered.

The accumulated benefit obligation for all defined benefit pension plans was \$14.8 billion at December 31, 2005 and \$14.4 billion at December 31, 2004.

Pension Plans with Accumulated Benefit Obligations in Excess of Plan Assets at December 31

In millions	2005	2004
Projected benefit obligation	\$8,885	\$9,593
Accumulated benefit obligation	\$8,447	\$9,198
Fair value of plan assets	\$6,559	\$6,721

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Notes to the Consolidated Financial Statements

NOTE M – Pension Plans and Other Postretirement Benefits – Continued

Some, but not all, of the Company's pension plans require some level of funding. Total accumulated benefit obligation in excess of plan assets for those plans that require some level of funding was \$768 million at December 31, 2005 and \$1,460 million at December 31, 2004.

In addition to the U.S. funded plan, U.S. employees are eligible to participate in defined contribution plans (Employee Savings Plans) by contributing a portion of their compensation, which is partially matched by the Company. Defined contribution plans also cover employees in some subsidiaries in other countries, including Australia, France, Spain and the United Kingdom. Contributions charged to income for defined contribution plans were \$66 million in 2005, \$82 million in 2004 and \$98 million in 2003.

Other Postretirement Benefits

The Company provides certain health care and life insurance benefits to retired employees. The Company has one non-U.S. plan, which is insignificant; therefore, this discussion relates to the U.S. plans only. The plans provide health care benefits, including hospital, physicians' services, drug and major medical expense coverage, and life insurance benefits. For employees hired before January 1, 1993, the plans provide benefits supplemental to Medicare when retirees are eligible for these benefits. The Company and the retiree share the cost of these benefits, with the Company portion increasing as the retiree has increased years of credited service. There is a cap on the Company portion. The Company has the ability to change these benefits at any time.

The Company funds most of the cost of these health care and life insurance benefits as incurred. Dow does not expect to contribute assets to its other postretirement benefits plan trusts in 2006.

The weighted-average assumptions used to determine other postretirement benefit obligations and net periodic benefit costs for the U.S. plans are provided below:

U.S. Plan Assumptions for Other Postretirement Benefits	<i>Benefit Obligations at December 31</i>		<i>Net Periodic Costs for the Year</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
Discount rate	5.60%	5.875%	5.875%	6.25%
Expected long-term rate of return on plan assets	-	-	8.75%	9.00%
Initial health care cost trend rate	9.50%	10.16%	10.16%	6.70%
Ultimate health care cost trend rate, assumed to be reached in 2011	6.00%	6.00%	6.00%	6.70%

Increasing the assumed medical cost trend rate by 1 percentage point in each year would increase the accumulated postretirement benefit obligation at December 31, 2005 by \$23 million and the net periodic postretirement benefit cost for the year by \$1 million. Decreasing the assumed medical cost trend rate by 1 percentage point in each year would decrease the accumulated postretirement benefit obligation at December 31, 2005 by \$22 million and the net periodic postretirement benefit cost for the year by \$1 million.

Impact of Remeasurement in the Third Quarter of 2004

In the third quarter of 2004, an expense remeasurement of the Company's pension and other postretirement benefit plans was completed as of June 30, 2004, due to a curtailment as defined in SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," related to a workforce reduction (see Note B). The remeasurement resulted in an \$8 million increase in net periodic postretirement benefit cost for 2004 and an \$8 million decrease in net periodic pension expense for 2004.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law. The Act expanded Medicare to include, for the first time, coverage for prescription drugs. The Act also provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Based on newly issued regulations in the third quarter of 2004, the Company determined that the benefits provided by its retiree medical plans are actuarially equivalent to Medicare Part D under the Act and remeasured its net periodic cost for other postretirement benefit plans for the effect of the Act. The impact of this remeasurement was a reduction of \$96 million in the accumulated postretirement benefit obligation as of January 1, 2004, for actuarial purposes only, and a reduction of \$7 million in net periodic postretirement benefit cost for 2004.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

Net Periodic Benefit Cost (Credit) for All Significant Plans						
In millions	<i>Defined Benefit Pension Plans</i>			<i>Other Postretirement Benefits</i>		
	2005	2004	2003	2005	2004	2003
Service cost	\$ 279	\$ 260	\$ 242	\$ 24	\$ 24	\$ 31
Interest cost	815	804	773	124	125	134
Expected return on plan assets	(1,056)	(1,092)	(1,082)	(27)	(23)	(19)
Amortization of prior service cost (credit)	24	8	21	(7)	(11)	(9)
Amortization of unrecognized loss	123	39	13	10	8	8
Special termination/curtailment cost	2	42	5	6	37	-
Net periodic benefit cost (credit)	\$ 187	\$ 61	\$ (28)	\$130	\$160	\$145

Change in Projected Benefit Obligation, Plan Assets and Funded Status of All Significant Plans				
In millions	<i>Defined Benefit Pension Plans</i>		<i>Other Postretirement Benefits</i>	
	2005	2004	2005	2004
<i>Change in projected benefit obligation</i>				
Benefit obligation at beginning of year	\$15,004	\$13,443	\$ 2,167	\$ 2,134
Service cost	279	260	24	24
Interest cost	815	804	124	125
Plan participants' contributions	18	18	-	-
Amendments	26	6	-	21
Actuarial changes in assumptions and experience	698	917	28	37
Acquisition/divestiture activity	-	7	-	(5)
Benefits paid	(808)	(779)	(179)	(208)
Currency impact	(401)	303	4	6
Special termination/curtailment cost (credit)	(14)	25	-	33
Benefit obligation at end of year	\$15,617	\$15,004	\$ 2,168	\$ 2,167

<i>Change in plan assets</i>				
Market value of plan assets at beginning of year	\$12,206	\$11,139	\$ 368	\$ 343
Actual return on plan assets	877	1,428	25	32
Employer contributions	1,031	399	-	33
Plan participants' contributions	18	19	-	-
Acquisition/divestiture activity	-	-	-	(6)
Benefits paid	(808)	(779)	(16)	(34)
Market value of plan assets at end of year	\$13,324	\$12,206	\$ 377	\$ 368

<i>Funded status and net amounts recognized</i>				
Plan assets less than benefit obligation	\$ (2,293)	\$ (2,798)	\$ (1,791)	\$ (1,799)
Unrecognized net transition obligation	2	3	-	-
Unrecognized prior service cost (credit)	103	99	(61)	(69)
Unrecognized net loss	4,024	3,656	276	261
Net amounts recognized in the consolidated balance sheets	\$ 1,836	\$ 960	\$ (1,576)	\$ (1,607)

<i>Net amounts recognized in the consolidated balance sheets consist of:</i>				
Accrued benefit liability	\$ (1,890)	\$ (2,520)	\$ (1,588)	\$ (1,627)
Prepaid benefit cost	1,667	1,423	12	20
Additional minimum liability – intangible asset	74	78	-	-
Accumulated other comprehensive income - pretax	1,985	1,979	-	-
Net amounts recognized in the consolidated balance sheets	\$ 1,836	\$ 960	\$ (1,576)	\$ (1,607)

The Company uses a December 31 measurement date for all of its plans.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE M – Pension Plans and Other Postretirement Benefits – Continued

Estimated Future Benefit Payments

The estimated future benefit payments, reflecting expected future service, as appropriate, are presented in the following table:

Estimated Future Benefit Payments		
at December 31	<i>Defined Benefit</i>	<i>Other</i>
	<i>Pension</i>	<i>Postretirement</i>
In millions	<i>Plans</i>	<i>Benefits</i>
2006	\$ 809	\$ 201
2007	820	182
2008	832	181
2009	842	172
2010	848	170
2011 through 2015	4,505	771
Total	\$8,656	\$1,677

Plan Assets

Plan assets consist mainly of equity and fixed income securities of U.S. and foreign issuers. At December 31, 2005, plan assets totaled \$13.3 billion and included Company common stock with a value of \$406 million (3 percent of total plan assets). At December 31, 2004, plan assets totaled \$12.2 billion and included Company common stock with a value of \$448 million (4 percent of total plan assets).

Weighted-Average Allocation of All Plan Assets		
at December 31		
	<i>2005</i>	<i>2004</i>
Equity securities	60%	62%
Debt securities	24%	27%
Real estate	3%	2%
Other	13%	9%
Total	100%	100%

Weighted-Average Allocation of U.S. Plan Assets		
at December 31		
	<i>2005</i>	<i>2004</i>
Equity securities	64%	65%
Debt securities	19%	22%
Real estate	3%	2%
Other	14%	11%
Total	100%	100%

Investment Strategy and Risk Management for Plan Assets

The Company's investment strategy for the plan assets is to manage the assets in order to pay retirement benefits to plan participants while minimizing cash contributions from the Company over the life of the plans. This is accomplished by preserving capital through diversification in high-quality investments and earning an acceptable long-term rate of return consistent with an acceptable degree of risk, while considering the liquidity needs of the plans.

The plans are permitted to use derivative instruments for investment purposes, as well as for hedging the underlying asset exposure and re-balancing the asset allocation. The plans use value at risk and other risk measures to monitor risk in the portfolios.

The Company conducted an asset/liability study using the plans' projected total benefit obligation to determine the optimal strategic asset allocation to meet the plans' long-term investment strategy. The study was conducted by the Company's actuary and corroborated with other outside experts. The results of the study and the strategic target asset allocation provided below were presented to and approved by the Finance Committee of the Board of Directors in December 2002. Further enhancements to the plans were approved by the Finance Committee of the Board of Directors in October 2004 and April 2005. The allocation of the plan assets will move toward the final strategic target allocation noted below when the Company believes it is prudent to do so.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

Strategic Target Allocation of Plan Assets		
<i>Asset Category</i>	<i>Target Allocation</i>	<i>Range</i>
Equity securities	56%	+/- 18%
Debt securities	24%	+/- 10%
Real estate	5%	+/- 2%
Other	15%	+/- 6%
Total	100%	

NOTE N – LEASED PROPERTY AND VARIABLE INTEREST ENTITIES

Leased Property

The Company routinely leases premises for use as sales and administrative offices, warehouses and tanks for product storage, motor vehicles, railcars, computers, office machines, and equipment under operating leases. In addition, the Company leases gas turbines at two U.S. locations, aircraft in the United States, and ethylene plants in Canada and The Netherlands. At the termination of the leases, the Company has the option to purchase these plants and certain other leased equipment and buildings based on a fair market value determination.

Rental expenses under operating leases, net of sublease rental income, were \$451 million in 2005, \$456 million in 2004 and \$422 million in 2003. Future minimum rental payments under operating leases with remaining non-cancelable terms in excess of one year are:

Minimum Operating Lease Commitments at December 31, 2005	
In millions	
2006	\$ 236
2007	179
2008	156
2009	136
2010	109
2011 and thereafter	319
Total	\$1,135

Variable Interest Entities

In the second quarter of 2003, Dow terminated its lease of an ethylene facility in The Netherlands with a variable interest entity ("VIE") (under FIN No. 46R, "Consolidation of Variable Interest Entities") and entered into a lease with a new owner trust, also a VIE. Dow is not the primary beneficiary of the owner trust and is, therefore, not required to consolidate the owner trust. Based on a valuation completed in mid-2003, the facility was valued at \$394 million. Upon expiration of the lease, which matures in 2014, Dow may purchase the facility for an amount based upon a fair market value determination. At December 31, 2005, Dow had provided to the owner trust a residual value guarantee of \$363 million, which represents Dow's maximum exposure to loss under the lease. Given the productive nature of the facility, it is probable that the facility will have continuing value to Dow or the owner trust in excess of the residual value guarantee.

In September 2001, Hobbes Capital S.A. ("Hobbes"), a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of equity certificates. The certificates provide a floating rate of return (which may be reinvested) based on London Interbank Offered Rate ("LIBOR"), and may be redeemed in 2008 and at seven-year intervals thereafter. The equity certificates have been classified as "Preferred Securities of Subsidiaries" in the consolidated balance sheets. The preferred return is included in "Minority interests' share in income" in the consolidated statements of income. Reinvested preferred returns are included in "Minority Interest in Subsidiaries" in the consolidated balance sheets. Under FIN No. 46R, Hobbes is a VIE and the Company is the primary beneficiary.

NOTE O – STOCK COMPENSATION PLANS

Prior to 2003, the Company accounted for its stock-based compensation plans (which include stock options, deferred stock grants, and subscriptions to purchase shares under the Company's Employees' Stock Purchase Plan ["ESPP"]) using the intrinsic value method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." Given the terms of the Company's plans, no compensation cost was recognized for its stock option plans or the ESPP in prior periods.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE O – Stock Compensation Plans – Continued

Effective January 1, 2003, the Company began expensing stock-based compensation newly issued in 2003 to employees in accordance with the fair value based method of accounting set forth in SFAS No. 123, "Accounting for Stock-Based Compensation." The fair value of equity instruments issued to employees is measured on the date of grant and recognized as compensation expense over the applicable vesting period. The Company estimates the fair value of stock options and subscriptions to purchase shares under the ESPP using a binomial option-pricing model. The weighted-average assumptions used to calculate total stock-based compensation expense and the pro forma results provided in Note A were as follows:

	2005	2004	2003
Dividend yield	2.6%	3.2%	3.9%
Expected volatility	22.22%	30.12%	41.09%
Risk-free interest rate	3.65%	2.42%	2.28%
Expected life of stock options granted during year	5 years	5 years	5 years
Life of Employees' Stock Purchase Plan	5 months	10 months	8 months

See Note A for information regarding the adoption of SFAS No. 123R on January 1, 2006.

Employees' Stock Purchase Plans

On February 13, 2003, the Board of Directors authorized a 10-year Employees' Stock Purchase Plan, which was approved by shareholders at the Company's annual meeting on May 8, 2003. Prior to that authorization, annual Employees' Stock Purchase Plans were authorized only by the Board of Directors. Under each annual offering, most employees were eligible to purchase shares of common stock of the Company valued at up to 10 percent of their annual base earnings. The value was determined using the plan price multiplied by the number of shares subscribed to by the employee. The plan price of the stock was set each year at no less than 85 percent of market price. Approximately 40 percent of the eligible employees participated in the annual plan in 2005; approximately 50 percent of the eligible employees participated in the preceding two years. Total compensation expense for the Employees' Stock Purchase Plans was \$19 million in 2005, \$37 million in 2004 and \$8 million in 2003.

Employees' Stock Purchase Plans

	2005		2004		2003	
	Shares	Exercise Price*	Shares	Exercise Price*	Shares	Exercise Price*
Shares in thousands						
Outstanding at beginning of year	2,679	\$33.95	3,310	\$27.05	4,709	\$26.95
Granted	2,956	43.25	4,326	33.95	4,997	27.05
Exercised	(3,659)	36.85	(4,761)	29.37	(3,490)	27.00
Forfeited/Expired	(1,976)	42.49	(196)	28.70	(2,906)	26.95
Outstanding and exercisable at end of year	-	-	2,679	\$33.95	3,310	\$27.05
Fair value of purchase rights granted during the year		\$ 6.77		\$ 6.94		\$ 5.72

*Weighted-average per share

Stock Option Plans

Under the 1988 Award and Option Plan (the "1988 Plan"), a plan approved by stockholders, the Company may grant options or shares of common stock to its employees subject to certain annual and individual limits. The terms of the grants are fixed at the grant date. At December 31, 2005, there were 19,752,466 shares available for grant under this plan.

No additional grants will be made under the 1994 Non-Employee Directors' Stock Plan, which previously allowed the Company to grant up to 300,000 options to non-employee directors. At December 31, 2005, there were 59,850 options outstanding under this plan.

No additional grants will be made under the 1998 Non-Employee Directors' Stock Plan, which previously allowed the Company to grant up to 600,000 options to non-employee directors. At December 31, 2005, there were 168,150 options outstanding under this plan.

The exercise price of each stock option equals the market price of the Company's stock on the date of grant. Options vest from one to three years, and have a maximum term of 10 years. Total compensation expense for stock option plans was \$68 million in 2005, \$41 million in 2004 and \$20 million in 2003.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

The following table summarizes the stock option activity:

Stock Options	2005		2004		2003	
	<i>Shares</i>	<i>Exercise Price*</i>	<i>Shares</i>	<i>Exercise Price*</i>	<i>Shares</i>	<i>Exercise Price*</i>
Shares in thousands						
Outstanding at beginning of year	49,926	\$32.30	66,960	\$30.24	70,966	\$29.28
Granted	6,214	52.97	5,510	43.47	9,431	27.40
Exercised	(10,351)	31.03	(21,026)	28.90	(11,748)	23.20
Forfeited/Expired	(300)	31.03	(1,518)	28.90	(1,689)	23.20
Outstanding at end of year	45,489	\$35.42	49,926	\$32.30	66,960	\$30.24
Exercisable at end of year	33,051	\$32.08	36,046	\$31.62	49,313	\$30.57
Fair value of options granted during the year		\$10.47		\$11.24		\$ 7.95

* Weighted-average per share

Stock Options at December 31, 2005

<i>Range of Exercise Prices per Share</i>	<i>Options Outstanding</i>			<i>Options Exercisable</i>	
	<i>Shares</i>	<i>Remaining Contractual Life*</i>	<i>Exercise Price*</i>	<i>Shares</i>	<i>Exercise Price*</i>
\$24.75 to \$30.00	13,407	5.01 years	\$27.55	10,475	\$27.60
30.01 to 35.00	13,195	4.78 years	31.65	13,188	31.65
35.01 to 40.00	7,680	4.09 years	36.39	7,674	36.39
40.01 to 45.00	5,463	8.21 years	43.54	1,711	43.45
45.01 to 50.00	70	9.53 years	46.87	-	-
50.01 to 56.00	5,674	9.14 years	53.53	3	50.88
Total \$24.75 to \$56.00	45,489	5.70 years	\$35.42	33,051	\$32.08

* Weighted-average per share

Deferred and Restricted Stock

Under the 1988 Plan, the Company grants deferred stock to certain employees. The grants vest after a designated period of time, generally two to five years. The Company recognizes the expense for deferred stock grants over the vesting period of the grants. In 2005, 1.6 million deferred shares with a weighted-average price of \$52.45 were granted to eligible employees. In 2004, 2.5 million deferred shares with a weighted-average price of \$43.32 were granted. In 2003, 1.2 million deferred shares with a weighted-average price of \$27.19 were granted.

Also under the 1988 Plan, the Company has granted performance deferred stock awards that vest when the Company attains specified performance targets over a pre-determined period, generally two to five years. When it is probable that the performance targets will be met, the compensation expense related to the performance deferred stock awards is amortized over the remaining performance period. The following table shows the performance deferred stock awards granted:

Performance Deferred Stock Awards

<i>Shares in millions</i>	<i>Performance Period</i>	<i>Target Shares Granted*</i>	<i>Weighted-average Fair Value per Share</i>
2005	January 1, 2005 – December 31, 2007	1.0	\$53.04
2004	January 1, 2004 – December 31, 2005	1.0	\$38.69
	January 1, 2004 – December 31, 2006	1.3	\$43.49
2003	January 1, 2003 – December 31, 2007	1.9	\$27.40
	January 31, 2003 – December 31, 2004	1.9	\$28.62

* At the end of the performance period, the actual number of shares issued can range from zero to 200 percent of the target shares granted.

In addition, the Company is authorized to grant up to 300,000 deferred shares of common stock to executive officers of the Company, under the 1994 Executive Performance Plan.

The Dow Chemical Company and Subsidiaries

Notes to the Consolidated Financial Statements

NOTE O – Stock Compensation Plans – Continued

Under the 2003 Non-Employee Directors' Stock Incentive Plan, a plan approved by stockholders, the Company may grant up to 1,500,000 shares (including options, restricted stock and deferred stock) to non-employee directors over the 10-year duration of the program, subject to an annual aggregate award limit of 25,000 shares for each individual director. During 2005, 20,700 stock options with a weighted-average fair value of \$11.40 and 6,750 shares of restricted stock with a weighted-average fair value of \$55.97 per share were issued under this plan. During 2004, 25,500 stock options with a weighted-average fair value of \$10.69 and 7,500 shares of restricted stock with a weighted-average fair value of \$42.58 per share were issued under this plan. The restricted stock issued under this plan cannot be sold, assigned, pledged or otherwise transferred by the non-employee director, until the director is no longer a member of the Board.

The following table provides information related to the Company's deferred and restricted stock:

Dollars in millions; shares in thousands	2005	2004	2003
Deferred stock compensation expense	\$336	\$220	\$24
Deferred shares outstanding at December 31	16,873	11,178	3,041

NOTE P – LIMITED PARTNERSHIP

In early 1998, a subsidiary of the Company purchased the 20 percent limited partner interests of outside investors in a consolidated subsidiary, Chemtech Royalty Associates L.P., for a fair value of \$210 million in accordance with wind-up provisions in the partnership agreement. The limited partnership was renamed Chemtech II L.P. ("Chemtech II"). In June 1998, the Company contributed assets with an aggregate fair value of \$783 million (through a wholly owned subsidiary) to Chemtech II and an outside investor acquired a limited partner interest in Chemtech II totaling 20 percent in exchange for \$200 million. In September 2000, the Company contributed additional assets with an aggregate fair value of \$18 million (through a wholly owned subsidiary) to Chemtech II.

Chemtech II is a separate and distinct legal entity from the Company and its affiliates, and has separate assets, liabilities, business and operations. Chemtech II affords the Company a diversified source of funding through a cost effective minority equity participation. The partnership has a general partner, a wholly owned subsidiary of the Company, which directs business activities and has fiduciary responsibilities to the partnership and its other members.

The outside investor in Chemtech II receives a cumulative annual priority return on its investment and participates in residual earnings. The partnership agreement was renegotiated in June 2003, resulting in a new cumulative annual priority return of \$8 million. Chemtech II will not terminate unless a termination or liquidation event occurs. The outside investor may cause such an event to occur in 2008. Upon wind-up, liquidation or termination, the partners' capital accounts will be redeemed at current fair values.

For financial reporting purposes, the assets (other than intercompany loans, which are eliminated), liabilities, results of operations and cash flows of the partnership and subsidiaries are included in the Company's consolidated financial statements, and the outside investor's limited partner interest is included in "Minority Interest in Subsidiaries" in the consolidated balance sheets.

NOTE Q – PREFERRED SECURITIES OF SUBSIDIARIES

The following transactions were entered into for the purpose of providing diversified sources of funds to the Company.

In July 1999, Tornado Finance V.O.F., a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of preferred partnership units. The units provide a distribution of 7.965 percent, may be redeemed in 2009 or thereafter, and may be called at any time by the subsidiary. The preferred partnership units are classified as "Preferred Securities of Subsidiaries" in the consolidated balance sheets. The distributions are included in "Minority interests' share in income" in the consolidated statements of income.

In September 2001, Hobbes Capital S.A., a consolidated foreign subsidiary of the Company, issued \$500 million of preferred securities in the form of equity certificates. The certificates provide a floating rate of return (which may be reinvested) based on London Interbank Offered Rate ("LIBOR"), and may be redeemed in 2008 and at seven-year intervals thereafter. The equity certificates are classified as "Preferred Securities of Subsidiaries" in the consolidated balance sheets. The preferred return is included in "Minority interests' share in income" in the consolidated statements of income. Reinvested preferred returns are included in "Minority Interest in Subsidiaries" in the consolidated balance sheets.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE R – STOCKHOLDERS' EQUITY

There are no significant restrictions limiting the Company's ability to pay dividends.

Undistributed earnings of nonconsolidated affiliates included in retained earnings were \$1,316 million at December 31, 2005 and \$749 million at December 31, 2004.

The number of treasury shares issued to employees under the Company's option and purchase programs was 15.7 million in 2005, 25.8 million in 2004 and 15.0 million in 2003.

The number of treasury shares purchased by the Company was 1,492,548 in 2005; 330,529 in 2004; and 182,012 in 2003. On July 14, 2005, the Board of Directors authorized the repurchase of up to 25 million shares of Dow common stock over the period ending on December 31, 2007. Prior to that authorization (and since August 3, 1999 when the Board of Directors terminated its 1997 authorization which allowed the Company to repurchase shares of Dow common stock), the only shares purchased by the Company were those shares received from employees and non-employee directors to pay taxes owed to the Company as a result of the exercise of stock options or the delivery of deferred stock. See Note O for information regarding the Company's stock option plans.

Reserved Treasury Stock at December 31			
Shares in millions	2005	2004	2003
Stock option and deferred stock plans	14.2	25.8	50.6
Employees' stock purchase plans	-	2.7	3.3
Total shares reserved	14.2	28.5	53.9

NOTE S – EMPLOYEE STOCK OWNERSHIP PLAN

The Company has the Dow Employee Stock Ownership Plan (the "ESOP"), which is an integral part of The Dow Chemical Company Employees' Savings Plan. A significant majority of full-time employees in the United States are eligible to participate in the ESOP through the allocation of shares of the Company's common stock.

In 1989, the ESOP borrowed \$138 million at a 9.42 percent interest rate with a final maturity in 2004 and used the proceeds to purchase stock from the Company. On December 31, 2004, the trustee made the final payment on the ESOP loan and released the remaining shares held by the ESOP.

In 1990, Union Carbide sold shares of its stock to its ESOP (the "UCC ESOP") for a \$325 million note with a maturity date of December 31, 2005, and an interest rate of 10 percent. The UCC ESOP shares were converted into shares of Dow common stock on February 6, 2001. On December 27, 2001, the UCC ESOP and the ESOP were merged into one ESOP trust and the UCC ESOP note was restructured with a maturity date of December 31, 2023, and an interest rate of 6.96 percent. The outstanding balance of the loan, which allows variable principal payments, was \$1 million at December 31, 2005 and \$12 million at December 31, 2004. The receivable from the ESOP is reflected as "Unearned ESOP shares" in the consolidated balance sheets as a reduction of "Stockholders' Equity."

Dividends on shares held by the ESOP are paid to the ESOP and, together with Company contributions, are used, in part, by the ESOP to make debt service payments on the loan. Shares are released for allocation to participants based on the ratio of the current year's debt service to the sum of the principal and interest payments over the life of the loan.

Accounting for the plans has followed the principles that were in effect for the respective plans when they were established. Expense associated with the ESOP was \$0 million in 2005, \$8 million in 2004 and \$6 million in 2003. During 2005, 1.1 million ESOP shares were allocated to participants' accounts. At December 31, 2005, 15.3 million common shares held by the ESOP were outstanding, 14.3 million of which had been allocated to participants' accounts.

Shares held by the ESOP are treated as outstanding shares in the determination of basic and diluted earnings per share.

NOTE T – INCOME TAXES

Operating loss carryforwards amounted to \$3,619 million at December 31, 2005 and \$5,281 million at December 31, 2004. At December 31, 2005, \$380 million of the operating loss carryforwards is subject to expiration in the years 2006 through 2010. The remaining balances expire in years beyond 2010 or have an indefinite carryforward period. Tax credit carryforwards at December 31, 2005 amounted to \$1,085 million (\$723 million at December 31, 2004), of which \$1 million is subject to expiration in the years 2006 through 2010. The remaining tax credit carryforwards expire in years beyond 2010.

Undistributed earnings of foreign subsidiaries and related companies that are deemed to be permanently invested amounted to \$4,299 million at December 31, 2005, \$6,770 million at December 31, 2004 and \$5,339 million at December 31, 2003. It is not practicable to calculate the unrecognized deferred tax liability on those earnings.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE T – Income Taxes – Continued

The Company had valuation allowances, which were primarily related to the realization of recorded tax benefits on tax loss carryforwards from operations in Brazil, Switzerland and the United States, of \$179 million at December 31, 2005 and \$165 million at December 31, 2004.

The American Jobs Creation Act of 2004 (the “AJCA”), which was signed into law in October 2004, introduced a special one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain criteria are met. In May 2005, tax authorities released the clarifying language necessary to enable the Company to finalize its plan for the repatriation and reinvestment of foreign earnings subject to the requirements of the AJCA, resulting in a credit of \$113 million to the “Provision for income taxes” in the second quarter of 2005.

On January 23, 2006, the Company received an unfavorable tax ruling from the United States Court of Appeals for the Sixth Circuit reversing a prior decision by the United States District Court relative to corporate owned life insurance, resulting in a charge of \$137 million to the “Provision for income taxes” in the fourth quarter of 2005.

The Company’s tax rate for 2005 was lower than the U.S. statutory rate due to strong financial results in jurisdictions with lower tax rates than the United States, improved earnings from a number of joint ventures, and the impact of the repatriation provisions under the AJCA, partially offset by the unfavorable tax ruling on corporate owned life insurance. Dow’s reported effective tax rate for the year was 27.8 percent.

In the first three quarters of 2004, PBBPolisur S.A., a wholly owned subsidiary of the Company in Argentina, recorded significantly improved earnings compared with the previous year, utilizing net operating losses for which a valuation allowance had previously been recorded. In the fourth quarter of 2004, the Company completed a revised earnings estimate and determined that it was more likely than not that the remaining valuation allowance of \$28 million was no longer necessary; the valuation allowance was therefore reversed.

In addition, during the first three quarters of 2004, the Company recorded net valuation allowances on deferred tax assets for tax loss carryforwards from Italian subsidiaries. During the fourth quarter of 2004, tax planning strategies for these entities were considered viable and are expected to be implemented in 2006, utilizing most of the existing tax loss carryforwards for the entities. As a result, \$68 million of the existing valuation allowances was reversed in 2004.

During 2004, based on tax planning strategies that were implemented in Brazil (across multiple entities), as well as projections of future earnings, it was determined that it was more likely than not that tax loss carryforwards would be utilized, resulting in a net reversal of valuation allowances of \$5 million.

The Company’s tax rate for 2004 was lower than the U.S. statutory rate due to improved financial results in jurisdictions with lower tax rates than the United States, continued strong performances by a number of joint ventures, revised estimates of the future utilization of operating loss carryforwards in Argentina and Italy and the impact of a legislated decrease in the tax rate in The Netherlands on deferred tax liabilities. Dow’s reported effective tax rate for the year was 23.1 percent.

In 2003, after the impact of 2003 German tax law changes was known and evaluated, the Company made the decision to merge BSL and Dow Deutschland Holding GmbH & Co. KGaA, forming Dow Olefinverbund GmbH. The formal merger filing was completed in August 2003; the merger was confirmed and recorded in December 2003. Due to the implementation of a new legal structure in Europe in 2002, Dow Olefinverbund GmbH now operates as a contract manufacturing company for other Dow companies, thereby ensuring a more predictable taxable income stream.

In the fourth quarter of 2003, the Company substantially completed the evaluation of a further consolidation of the German operations. After considering the effects of all of its tax planning strategies, the Company determined that it was more likely than not that Dow would utilize the German tax loss carryforwards and that the valuation allowance previously established was no longer required; therefore, the valuation allowance of \$340 million recorded in Dow Olefinverbund GmbH was reversed.

In addition, due to higher taxable income in the United States in 2003, particularly in the fourth quarter, in combination with the execution of new tax planning strategies, the Company concluded that it would be able to utilize foreign tax credits that might have otherwise expired unused. As a result, the valuation allowance of \$114 million related to foreign tax credits was no longer required and was reversed.

The Company’s tax rate for 2003 was lower than the U.S. statutory rate due to strong financial performance by a number of joint ventures and favorable U.S. tax effects related to the implementation of tax planning strategies on foreign tax credits. As a result, Dow’s reported effective tax rate for the full year, excluding the tax benefits of \$454 million related to the reversal of tax valuation allowances, was 21 percent.

The reserve for tax contingencies related to issues in the United States and foreign locations was \$860 million at December 31, 2005 and \$748 million at December 31, 2004. This is management’s best estimate of the potential liability for tax contingencies. The increase in the tax contingency reserve was primarily due to an unfavorable tax ruling on corporate owned life insurance, partially offset by the favorable impact of closed audits in Europe and Asia Pacific. Inherent

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uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions' tax court systems. It is the opinion of the Company's management that the possibility is remote that costs in excess of those accrued will have a material adverse impact on the Company's consolidated financial statements.

Domestic and Foreign Components of Income before Income Taxes and Minority Interests			
In millions	2005	2004	2003
Domestic	\$2,715	\$ 457	\$ 546
Foreign	3,684	3,339	1,205
Total	\$6,399	\$3,796	\$1,751

Reconciliation to U.S. Statutory Rate			
In millions	2005	2004	2003
Taxes at U.S. statutory rate	\$2,240	\$1,329	\$ 613
Equity earnings effect	(287)	(168)	(56)
Foreign rates other than 35% (1)	(409)	(524)	(382)
U.S. tax effect of foreign earnings and dividends (2)	160	210	(187)
U.S. business and R&D credits	(48)	(47)	(77)
Benefit of repatriation under AJCA	(113)	-	-
Unfavorable tax ruling	137	-	-
Other - net	102	77	7
Total tax provision (credit)	\$1,782	\$ 877	\$ (82)
Effective tax rate	27.8%	23.1%	(4.7)%

(1) Includes the effect of changes in valuation allowances for foreign entities as follows: an increase of \$14 million in 2005 and decreases of \$116 million in 2004 and \$268 million in 2003.

(2) Includes the effect of changes in the valuation allowance for U.S. foreign tax credits of \$114 million in 2003.

Provision (Credit) for Income Taxes									
In millions	2005			2004			2003		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 255	\$535	\$ 790	\$214	\$(50)	\$164	\$148	\$(256)	\$(108)
State and local	46	20	66	17	26	43	40	(34)	6
Foreign	741	185	926	391	279	670	108	(88)	20
Total	\$1,042	\$740	\$1,782	\$622	\$255	\$877	\$296	\$(378)	\$ (82)

Deferred Tax Balances at December 31				
In millions	2005		2004	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Property	\$ 382	\$(2,304)	\$ 674	\$(2,998)
Tax loss and credit carryforwards	2,297	-	2,514	-
Postretirement benefit obligations	1,501	(861)	2,038	(594)
Other accruals and reserves	1,666	(437)	1,839	(625)
Inventory	160	(184)	152	(135)
Long-term debt	216	(64)	650	(71)
Investments	282	-	218	(4)
Other - net	551	(643)	389	(635)
Subtotal	\$7,055	\$(4,493)	\$8,474	\$(5,062)
Valuation allowance	(179)	-	(165)	-
Total	\$6,876	\$(4,493)	\$8,309	\$(5,062)

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE U – OPERATING SEGMENTS AND GEOGRAPHIC AREAS

Dow is a diversified, worldwide manufacturer and supplier of more than 3,200 products. The Company's products are used primarily as raw materials in the manufacture of customer products and services. The Company serves the following industries: appliance; automotive; agricultural; building and construction; chemical processing; electronics; furniture; housewares; oil and gas; packaging; paints, coatings and adhesives; personal care; pharmaceutical; processed foods; pulp and paper; textile and carpet; utilities; and water treatment.

Dow conducts its worldwide operations through global businesses, which are aggregated into reportable operating segments based on the nature of the products and production processes, end-use markets, channels of distribution and regulatory environment. The Company's reportable operating segments are Performance Plastics, Performance Chemicals, Agricultural Sciences, Plastics, Chemicals, and Hydrocarbons and Energy. Unallocated and Other contains the reconciliation between the totals for the reportable segments and the Company's totals. It also represents the operating segments that do not meet the quantitative threshold for determining reportable segments, research and other expenses related to new business development activities, and other corporate items not allocated to the operating segments.

The Corporate Profile included below describes the operating segments, how they are aggregated, and the types of products and services from which their revenues are derived.

Corporate Profile

PERFORMANCE PLASTICS

Applications: automotive interiors, exteriors, under-the-hood and body engineered systems • building and construction, thermal and acoustic insulation, roofing • communications technology, telecommunication cables, electrical and electronic connectors • footwear • home and office furnishings: kitchen appliances, power tools, floor care products, mattresses, carpeting, flooring, furniture padding, office furniture • information technology equipment and consumer electronics • packaging, food and beverage containers, protective packaging • sports and recreation equipment • wire and cable insulation and jacketing materials for power utility and telecommunications

Building and Construction manufactures and markets an extensive line of insulation, weather barrier, and oriented composite building solutions, as well as a line of cushion packaging foam solutions. The business is the recognized leader in extruded polystyrene (XPS) insulation, known industry-wide by its distinctive Blue color and the Dow STYROFOAM™ brand for more than 50 years. The business also manufactures foam solutions for a wide range of applications including cushion packaging, electronics protection and material handling.

- **Products:** EQUIFOAM™ comfort products; ETHAFOAM™ polyethylene foam; IMMOTUS™ acoustic panels; QUASH™ sound management foam; SARAN™ vapor retarder film and tape; STYROFOAM™ brand insulation products (including XPS and polyisocyanurate rigid foam sheathing products); SYMMATRIX™ oriented composites; SYNERGY™ soft touch foam; TRYMER™ polyisocyanurate foam pipe insulation; and WEATHERMATE™ weather barrier solutions (housewraps, sill pans, flashings and tapes)

Dow Automotive business provides manufacturers of passenger cars, light trucks and commercial vehicles with solutions that perform for body structure enhancement, acoustical performance, styling/aesthetics and other plastics-enabled solutions for interior, exterior, and under-the-hood applications. The business also provides research and development, design expertise and advanced engineering support to help meet or exceed performance targets in all vehicle segments.

- **Products:** AFFINITY™ polyolefin plastomers; AMPLIFY™ functional polymers; BETABRACE™ reinforcing composites; BETADAMP™ acoustical damping systems; BETAFOAM™ NVH and structural foams; BETAGUARD™ sealants; BETAMATE™ structural adhesives; BETASEAL™ glass bonding systems; CALIBRE™ polycarbonate resins; DOW™ polyethylene resins; DOW™ polypropylene resins and automotive components made with DOW™ polypropylene; IMPAXX™ energy management foam; Injection-molded dashmats and underhood barriers; INSPIRE™ performance polymers; INTEGRAL™ adhesive film; ISONATE™ pure and modified methylene diphenyl diisocyanate (MDI) products; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PAPI™ polymeric MDI; PELLETHANE™ thermoplastic polyurethane elastomers; premium brake fluids and lubricants; PULSE™ engineering resins; SPECFLEX™ semi-flexible polyurethane foam systems; SPECTRIM™ reaction moldable polymers; STRANDFOAM™ polypropylene foam; VERSIFY™ plastomers and elastomers; VORANATE™ specialty isocyanates; VORANOL™ polyether polyols

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Engineering Plastics business offers a broad range of engineering plastics and compounds to serve diverse markets, including civil construction, electronics and appliances. The business complements its product portfolio by developing solutions that deliver improved performance to high end applications.

- **Products:** CALIBRE™ polycarbonate resins; EMERGE™ advanced resins; ISOPLAST™ engineering thermoplastic polyurethane resins; MAGNUM™ ABS resins; PELLETHANE™ thermoplastic polyurethane elastomers; PULSE™ engineering resins; TYRIL™ SAN resins

Epoxy Products and Intermediates business manufactures a wide range of epoxy products, as well as intermediates used by other major epoxy producers. Dow is a leading global producer of epoxy products, supporting customers with high-quality raw materials, technical service and production capabilities.

- **Products:** Acetone; Acrylic monomers; Allyl chloride; Bisphenol A; D.E.H.™ epoxy catalyst resins; D.E.N.™ epoxy novolac resins; D.E.R.™ epoxy resins (liquids, solids and solutions); Epichlorohydrin; Epoxy acrylates; OPTIM™ glycerine; Phenol; UV specialty epoxies

Polyurethanes and Thermoset Systems business is a leading global producer of polyurethane raw materials and thermoset systems. Differentiated by its ability to globally supply a high-quality, consistent and complete product range, this business emphasizes both existing and new business developments while facilitating customer success with a global market and technology network.

- **Products:** THE ENHANCER™ and LIFESPAN™ carpet backings; FROTH-PAK™ polyurethane spray foam; GREAT STUFF™ polyurethane foam sealant; INSTA-STIK™ roof insulation adhesive; ISONATE™ MDI; PAPI™ polymeric MDI; Propylene glycol; Propylene oxide; SPECFLEX™ copolymer polyols; SYNTEGRA™ waterborne polyurethane dispersions; TILE BOND™ roof tile adhesive; VORACOR™, VORALAST™, VORALUX™ and VORASTAR™ polyurethane systems; VORANATE™ isocyanate; VORANOL™ and VORANOL™ VORACTIV™ polyether and copolymer polyols

Technology Licensing and Catalyst business includes licensing and supply of related catalysts for the UNIPOL™ polypropylene process, the METEOR™ process for ethylene oxide (EO) and ethylene glycol (EG), the LP OXO™ process for oxo alcohols, and the QBIST™ bisphenol A process. Licensing of the UNIPOL™ polyethylene process and related catalysts, including metallocene catalysts, are handled through Univation Technologies, LLC, a 50:50 joint venture of Union Carbide.

- **Products:** LP OXO™ process technology; METEOR™ EO/EG process technology and catalysts; QBIST™ bisphenol A process technology and DOWEX™ QCAT™ catalyst; SHACT™ catalysts; UNIPOL™ process technology

Wire and Cable business is the leading global producer of a variety of performance plastics-enabled products that are marketed worldwide for wire and cable applications. Chief among these are polyolefin-based compounds for high-performance insulation, semiconductives and jacketing systems for power distribution, telecommunications and flame-retardant wire and cable.

- **Products:** REDI-LINK™ polyethylene; SI-LINK™ crosslinkable polyethylene; UNIGARD™ high-performance flame-retardant compounds; UNIGARD™ reduced emissions flame-retardant compounds; UNIPURGE™ purging compounds; Wire and cable insulation and jacketing compounds; ZETABON™ coated metal cable armor

The Performance Plastics segment also includes the INCLOSIA™ Solutions business focused on the production of innovative enclosures for consumer electronics, as well as certain products acquired from DuPont Dow Elastomers L.L.C., including ENGAGE™ polyolefin elastomers, NORDEL™ hydrocarbon rubber and TYRIN™ chlorinated polyethylene resins. Also part of the Performance Plastics segment is an extensive line of specialty plastic resins and films for food and specialty packaging applications, window envelope films, medical films and metal lamination films, such as SARAN™ films, SARANEX™ films, PROCITE™ polystyrene films and TRENCHCOAT™ polyolefin films.

The Dow Chemical Company and Subsidiaries
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NOTE U – Operating Segments and Geographic Areas – Continued

PERFORMANCE CHEMICALS

Applications: agricultural and pharmaceutical products and processing • building materials • chemical processing and intermediates • food processing and ingredients • household products • paints, coatings, inks, adhesives, lubricants • personal care products • pulp and paper manufacturing, coated paper and paperboard • textiles and carpet • water purification

Acrylics and Oxide Derivatives business is the world's largest supplier of glycol ethers and amines, and a leading supplier of acrylics, producing an array of products serving a diverse set of market applications, including coatings, household and personal care products, gas treating and agricultural products.

- **Products:** Acrylic acid/Acrylic esters; Alkyl alkanolamines; DRYTECH™ superabsorbent polymers; Ethanolamines; Ethylene oxide- and propylene oxide-based glycol ethers; Ethyleneamines; Isopropanolamines

Dow Latex business is a major global supplier of synthetic latex, used for coating paper and paperboard (for magazines, catalogues and food packaging), and in decorative and industrial paints, adhesives, textile products, and construction products such as caulks and sealants.

- **Products:** Acrylic latex; Butadiene-vinylidene latex; NEOCAR™ branched vinyl ester latexes; POLYPHOBET™ rheology modifiers; Polystyrene latex; Styrene-acrylate latex; Styrene-butadiene latex; UCAR™ all-acrylic, styrene-acrylic and vinyl-acrylic latexes

Specialty Chemicals business provides products used as functional ingredients or processing aids in the manufacture of a diverse range of products. Applications include agricultural and pharmaceutical products and processing, building and construction, chemical processing and intermediates, food processing and ingredients, household products, coatings, pulp and paper manufacturing, and transportation. Dow Haltermann Custom Processing provides contract and custom manufacturing services to other specialty chemical and agricultural chemical producers.

- **Products:** CARBOWAX™ polyethylene glycols and methoxypolyethylene glycols; Diphenyloxide; DOW™ polypropylene glycols; DOWFAX™, TERGITOL™ and TRITON™ surfactants; DOWTHERM™, SYLTHERM™ and UCARTHERM™ heat transfer fluids; UCAR™ deicing fluids; UCON™ fluids; VERSENE™ chelating agents; Fine and specialty chemicals from the Dow Haltermann Custom Processing business; Test and reference fuels, printing ink distillates, pure hydrocarbons and esters, and derivatives from Haltermann Products, a wholly owned subsidiary of Dow

Specialty Polymers business provides a diverse portfolio of multi-functional ingredients and polymers for numerous markets and applications. Within Specialty Polymers, Liquid Separations uses several technologies to separate dissolved minerals and organics from water, making purer water for human and industrial uses. Specialty Polymers businesses also market a range of products that enhance the physical and sensory properties of end-use products in a wide range of applications including food, pharmaceuticals, oilfields, paints and coatings, personal care, and building and construction. The business also includes Advanced Electronic Materials and the results of Dowpharma, which provides the pharmaceutical and biopharmaceutical industries with products and services for drug discovery, development, manufacturing and delivery.

- **Products:** Acrolein derivatives; Basic nitroparaffins and nitroparaffin-based specialty chemicals of ANGUS Chemical Company, a wholly owned subsidiary of Dow; Biocides; CELLOSIZET™ hydroxyethyl cellulose; DOWEX™ ion exchange resins; ETHOCEL™ ethylcellulose resins; FILMTEC™ membranes; METHOCEL™ cellulose ethers; POLYOX™ water-soluble resins; Products for hair/skin care from Amerchol Corporation, a wholly owned subsidiary of Dow

The Performance Chemicals segment also includes peroxymeric chemicals, solution vinyl resins and other specialty chemicals.

The Dow Chemical Company and Subsidiaries
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AGRICULTURAL SCIENCES

Applications: control of weeds, insects and plant diseases for agriculture and pest management • agricultural seeds and traits (genes)

Dow AgroSciences is a global leader in providing pest management, agricultural and crop biotechnology products and solutions. The business develops, manufactures and markets products for crop production; weed, insect and plant disease management; and industrial and commercial pest management. Dow AgroSciences is building a leading plant genetics and biotechnology business in agricultural seeds, traits, healthy oils, animal health, and food safety.

- **Products:** CLINCHER™ herbicide; DITHANE™ fungicide; LORSBAN™ insecticides; FORTRESS™ fungicide; GARLON™ herbicide; GLYPHOMAX™ herbicide; GRANITE™ herbicide, HERCULEX™ I insect protection; KEYSTONE™ herbicides; LAREDO™ fungicide; LONTREL™ herbicide; MUSTANG™ herbicide; MYCOGENT™ seeds; NATREON™ canola oil; NEXERA™ seeds; PHYTOGENT™ brand cottonseeds; PROFUME™ gas fumigant; SENTRICON™ Termite Colony Elimination System; STARANET™ herbicide; STINGER™ herbicide; SURPASS™ herbicide; TELONE™ soil fumigant; TORDON™ herbicide; TRACER™ NATURALYTE™ insect control; VIKANE™ structural fumigant; WIDESTRIKE™ insect protection

PLASTICS

Applications: adhesives • appliances and appliance housings • agricultural films • automotive parts and trim • beverage bottles • bins, crates, pails and pallets • building and construction • coatings • consumer and durable goods • consumer electronics • disposable diaper liners • fibers and nonwovens • films, bags and packaging for food and consumer products • hoses and tubing • household and industrial bottles • housewares • hygiene and medical films • industrial and consumer films and foams • information technology • oil tanks and road equipment • plastic pipe • textiles • toys, playground equipment and recreational products • wire and cable compounds

Polyethylene business is the world's leading supplier of polyethylene-based solutions through sustainable product differentiation. Through the use of multiple catalyst and all process technologies, the business offers customers one of the industry's broadest ranges of polyethylene resins via a strong global network of local experts focused on partnering for long-term success.

- **Products:** AFFINITY™ polyolefin plastomers (POPs); AMPLIFY™ functional polymers; ASPUN™ fiber grade resins; ATTANE™ ultra low density polyethylene (ULDPE) resins; CONTINUUM™ bimodal polyethylene resins; DOW™ high density polyethylene (HDPE) resins; DOW™ low density polyethylene (LDPE) resins; DOWLEX™ polyethylene resins; ELITE™ enhanced polyethylene (EPE) resins; FLEXOMER™ very low density polyethylene (VLDPE) resins; PRIMACOR™ copolymers; TUFLIN™ linear low density polyethylene (LLDPE) resins; UNIVAL™ HDPE resins

Polypropylene business, a major global polypropylene supplier, provides a broad range of products and solutions tailored to customer needs by leveraging Dow's leading manufacturing and application technology, research and product development expertise, extensive market knowledge and strong customer relationships.

- **Products:** DOW™ homopolymer polypropylene resins; DOW™ impact copolymer polypropylene resins; DOW™ random copolymer polypropylene resins; INSPIRE™ performance polymers

Polystyrene business, the global leader in the production of polystyrene resins, is uniquely positioned with geographic breadth and participation in a diversified portfolio of applications. Through market and technical leadership and low cost capability, the business continues to improve product performance and meet customer needs.

- **Products:** STYRON A-TECH™ and C-TECH™ advanced technology polystyrene resins and a full line of STYRON™ general purpose polystyrene resins; STYRON™ high-impact polystyrene resins

The Plastics segment also includes polybutadiene rubber, styrene-butadiene rubber, several specialty resins, such as VERSIFY™ plastomers and elastomers and DOW XLA™ elastic fiber for the textile industry, and the results of Equipolymers, a 50:50 joint venture.

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE U – Operating Segments and Geographic Areas – Continued

CHEMICALS

Applications: agricultural products • alumina • automotive antifreeze and coolant systems • carpet and textiles • chemical processing • dry cleaning • dust control • household cleaners and plastic products • inks • metal cleaning • packaging, food and beverage containers, protective packaging • paints, coatings and adhesives • personal care products • petroleum refining • pharmaceuticals • plastic pipe • pulp and paper manufacturing • snow and ice control • soaps and detergents • water treatment

Core Chemicals business is a leading global producer of each of its basic chemical products, which are sold to many industries worldwide, and also serve as key raw materials in the production of a variety of Dow's performance and plastics products.

- **Products:** Acids; Alcohols; Aldehydes; Caustic soda; Chlorine; Chloroform; COMBOTHERM™ blended deicer; DOWFLAKE™ calcium chloride; DOWPER™ dry cleaning solvent; Esters; Ethylene dichloride (EDC); LIQUIDOW™ liquid calcium chloride; MAXICHECK™ procedure for testing the strength of reagents; MAXISTAB™ stabilizers for chlorinated solvents; Methyl chloride; Methylene chloride; Monochloroacetic acid (MCAA); Oxo products; PELADOW™ calcium chloride pellets; Perchloroethylene; SAFE-TAINER™ closed-loop delivery system; Trichloroethylene; Vinyl acetate monomer (VAM); Vinyl chloride monomer (VCM); Vinylidene chloride (VDC)

Ethylene Oxide/Ethylene Glycol business is a key supplier of ethylene glycol to MEGlobal, a 50:50 joint venture and a world leader in the manufacture and marketing of merchant monoethylene glycol and diethylene glycol. Dow also supplies ethylene oxide to internal derivatives businesses. Ethylene glycol is used in polyester fiber, polyethylene terephthalate (PET) for food and beverage container applications, polyester film and antifreeze.

- **Products:** Ethylene glycol (EG); Ethylene oxide (EO)

The Chemicals segment also includes the results of MEGlobal.

HYDROCARBONS AND ENERGY

Applications: polymer and chemical production • power

The **Hydrocarbons and Energy** business encompasses the procurement of fuels, natural gas liquids and crude oil-based raw materials, as well as the supply of monomers, power and steam for use in Dow's global operations. Dow is the world leader in the production of olefins and aromatics.

- **Products:** Benzene; Butadiene; Butylene; Cumene; Ethylene; Propylene; Styrene; Power, steam and other utilities

Unallocated and Other includes the results of Dow Ventures (which includes new business incubation platforms focused on identifying and pursuing new commercial opportunities); Venture Capital; the Company's insurance operations and environmental operations; as well as Dow Corning Corporation, a 50:50 joint venture.

The Dow Chemical Company and Subsidiaries
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Transfers between operating segments are generally valued at cost. Transfers of products to the Agricultural Sciences segment from the other segments, however, are generally valued at market-based prices. The revenues generated by these transfers are provided in the following table.

Operating Segment Information								
In millions	Performance Plastics	Performance Chemicals	Agricultural Sciences	Plastics	Chemicals	Hydrocarbons and Energy	Unallocated and Other	Total
2005								
Sales to external customers	\$11,388	\$7,713	\$3,364	\$11,815	\$5,660	\$6,061	\$ 306	\$46,307
Intersegment revenues	29	43	-	-	57	-	(129)	-
Equity in earnings of nonconsolidated affiliates	169	41	1	244	204	52	253	964
Restructuring charges (1)	28	14	9	12	3	-	48	114
EBIT (2)	2,467	1,212	543	2,405	1,132	(1)	(795)	6,963
Total assets	8,895	6,217	3,999	8,316	4,579	3,100	10,828	45,934
Investments in nonconsolidated affiliates	195	147	23	499	538	397	486	2,285
Depreciation and amortization	565	397	131	496	378	108	4	2,079
Capital expenditures	185	335	95	289	231	462	-	1,597
2004								
Sales to external customers	\$ 9,493	\$6,667	\$3,368	\$10,041	\$5,454	\$4,876	\$ 262	\$40,161
Intersegment revenues	22	40	-	-	46	-	(108)	-
Equity in earnings of nonconsolidated affiliates	122	62	-	183	424	76	56	923
Restructuring activities -net charge (gain) (1)	-	89	-	(124)	(439)	-	454	(20)
EBIT (2)	1,048	600	586	1,725	1,602	-	(1,104)	4,457
Total assets	8,564	5,878	3,824	8,402	4,473	2,693	12,051	45,885
Investments in nonconsolidated affiliates	346	128	23	961	517	374	349	2,698
Depreciation and amortization	491	501	122	490	367	111	6	2,088
Capital expenditures	257	189	109	227	238	312	1	1,333
2003								
Sales to external customers	\$ 7,770	\$5,552	\$3,008	\$ 7,760	\$4,369	\$3,820	\$ 353	\$32,632
Intersegment revenues	16	32	-	-	44	-	(92)	-
Equity in earnings (losses) of nonconsolidated affiliates	69	22	(7)	35	149	76	(22)	322
EBIT (2)	701	682	441	662	334	6	(339)	2,487
Total assets	7,812	5,488	3,702	7,390	4,054	2,120	11,325	41,891
Investments in nonconsolidated affiliates	289	77	24	741	273	271	203	1,878
Depreciation and amortization	454	367	121	473	384	96	8	1,903
Capital expenditures	326	148	49	132	226	213	6	1,100

(1) See Note B for information regarding restructuring activities in 2005 and 2004.

(2) The Company uses EBIT (which Dow defines as earnings before interest, income taxes and minority interests) as its measure of profit/loss for segment reporting purposes. EBIT includes all operating items related to the business and excludes items that principally apply to the Company as a whole. A reconciliation of EBIT to "Net Income Available for Common Stockholders" is provided below:

In millions	2005	2004	2003
EBIT	\$6,963	\$4,457	\$2,487
+ Interest income	138	86	92
- Interest expense and amortization of debt discount	702	747	828
- Provision (Credit) for income taxes	1,782	877	(82)
- Minority interests' share in income	82	122	94
+ Cumulative effect of changes in accounting principles	(20)	-	(9)
Net Income Available for Common Stockholders	\$4,515	\$2,797	\$1,730

The Dow Chemical Company and Subsidiaries
Notes to the Consolidated Financial Statements

NOTE U – Operating Segments and Geographic Areas – Continued

The Company operates 156 manufacturing sites in 37 countries. The United States is home to 46 of these sites, representing 54 percent of the Company's long-lived assets. Sales are attributed to geographic areas based on customer location. Long-lived assets are attributed to geographic areas based on asset location.

Geographic Area Information				
In millions	<i>United States</i>	<i>Europe</i>	<i>Rest of World</i>	<i>Total</i>
2005				
Sales to external customers	\$17,524	\$16,624	\$12,159	\$46,307
Long-lived assets (1)	\$ 7,314	\$ 3,735	\$ 2,488	\$13,537
2004				
Sales to external customers	\$15,054	\$14,280	\$10,827	\$40,161
Long-lived assets (1)	\$ 7,139	\$ 4,001	\$ 2,688	\$13,828
2003				
Sales to external customers	\$12,813	\$11,351	\$ 8,468	\$32,632
Long-lived assets (1)	\$ 7,416	\$ 3,918	\$ 2,883	\$14,217

(1) Long-lived assets in Germany represented approximately 11 percent of the total at December 31, 2005 and 12 percent of the total at December 31, 2004 and 2003.

The Dow Chemical Company and Subsidiaries
Quarterly Statistics

In millions, except per share amounts (Unaudited)

2005		<i>1st</i>	<i>2nd</i>	<i>3rd</i>	<i>4th</i>	<i>Year</i>
Net sales	\$	11,679	\$ 11,450	\$ 11,261	\$ 11,917	\$ 46,307
Cost of sales		9,337	9,300	9,610	10,029	38,276
Restructuring charges		-	-	-	(114)	(114)
Credit to "Provision for income taxes" related to the repatriation of foreign earnings under the AJCA (1)		-	113	-	-	113
Charge to "Provision for income taxes" due to unfavorable tax ruling related to corporate owned life insurance		-	-	-	(137)	(137)
Income before cumulative effect of change in accounting principle		1,353	1,265	801	1,116	4,535
Cumulative effect of change in accounting principle		-	-	-	(20)	(20)
Net income available for common stockholders		1,353	1,265	801	1,096	4,515
Earnings before cumulative effect of change in accounting principle per common share - basic (2)		1.41	1.31	0.83	1.15	4.71
Earnings per common share - basic (2)		1.41	1.31	0.83	1.13	4.69
Earnings before cumulative effect of change in accounting principle per common share - diluted (2)		1.39	1.30	0.82	1.14	4.64
Earnings per common share - diluted (2)		1.39	1.30	0.82	1.12	4.62
Common stock dividends declared per share of common stock		0.335	0.335	0.335	0.335	1.34
Market price range of common stock: (3)						
High		56.75	50.49	49.45	47.21	56.75
Low		47.55	42.88	40.18	40.55	40.18

2004		<i>1st</i>	<i>2nd</i>	<i>3rd</i>	<i>4th</i>	<i>Year</i>
Net sales	\$	9,309	\$ 9,844	\$ 10,072	\$ 10,936	\$ 40,161
Cost of sales		7,907	8,345	8,697	9,295	34,244
Restructuring net gain		-	20	-	-	20
Tax benefits related to reversal of tax valuation allowances and impact of change in tax rate on deferred tax liabilities		-	-	-	146	146
Net income available for common stockholders		469	685	617	1,026	2,797
Earnings per common share - basic (4)		0.50	0.73	0.66	1.08	2.98
Earnings per common share - diluted		0.50	0.72	0.65	1.06	2.93
Common stock dividends declared per share of common stock		0.335	0.335	0.335	0.335	1.34
Market price range of common stock: (3)						
High		44.20	42.45	45.40	51.34	51.34
Low		37.49	36.35	37.95	41.82	36.35

See Notes to the Consolidated Financial Statements.

(1) American Jobs Creation Act of 2004 ("AJCA")

(2) Due to an increase in the share count during 2005, the sum of the four quarters does not equal the earnings per share amount calculated for the year.

(3) Composite price as reported by the New York Stock Exchange.

(4) Due to an increase in the share count during 2004, the sum of the four quarters does not equal the earnings per share amount calculated for the year.

The Dow Chemical Company and Subsidiaries
PART II

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 10-K, 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 and 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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control framework and processes are designed to provide reasonable assurance to management and the Board of Directors regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded properly to allow for the preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company;
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements; and
- provide reasonable assurance as to the detection of fraud.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changing conditions, effectiveness of internal control over financial reporting may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting and concluded that, as of December 31, 2005, such internal control is effective. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework*.

The Company's independent auditors, Deloitte & Touche LLP, with direct access to the Company's Board of Directors through its Audit Committee, have audited the consolidated financial statements prepared by the Company. Their report on the consolidated financial statements is included in Part II, Item 8. Financial Statements and Supplementary Data. Management's assessment of the Company's internal control over financial reporting has been audited by Deloitte & Touche LLP, as stated in their report included herein.

The Dow Chemical Company and Subsidiaries
PART II

Management's Process to Assess the Effectiveness of Internal Control Over Financial Reporting

To comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, the Company followed a comprehensive compliance process across the enterprise to evaluate its internal control over financial reporting, engaging employees at all levels of the organization. Dow's effective internal control begins with a strong ethics and compliance "tone-at-the-top" of the Company, and is supported by all employees throughout the organization, who operate within clearly defined roles and responsibilities with strict adherence to delegation of authority limits. To further heighten internal control awareness across the Company during 2005, Dow required mandatory internal control training for approximately 20,000 employees around the globe.

Management's conclusion on the effectiveness of internal control over financial reporting is based on a thorough and comprehensive evaluation and analysis of the five elements of COSO. Multiple inputs were considered as the basis for management's conclusion - including self-assessments of the control activities within each work process, assessments of entity-level controls, and internal control attestations from significant nonconsolidated joint ventures and external service providers, as well as from key Dow management. In addition, the Company's internal control processes contain self-monitoring mechanisms, and proactive steps are taken to correct deficiencies as they are identified. The Company also maintains an effective internal auditing program that independently assesses the effectiveness of internal control over financial reporting within each of the five COSO elements.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris
President, Chief Executive Officer and
Chairman-Elect

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei
Executive Vice President and Chief Financial Officer

/s/ FRANK H. BROD

Frank H. Brod
Corporate Vice President and Controller

February 8, 2006

The Dow Chemical Company and Subsidiaries
PART II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

*To the Board of Directors and Stockholders of
The Dow Chemical Company:*

We have audited management's assessment, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*, that The Dow Chemical Company and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule listed in the Index at Item 15 (a) 2. as of and for the year ended December 31, 2005 of the Company and our report dated February 8, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Midland, Michigan
February 8, 2006

The Dow Chemical Company and Subsidiaries
PART II

ITEM 9B. OTHER INFORMATION.

None.

The Dow Chemical Company and Subsidiaries
PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

Information relating to Directors, including identification of the Audit Committee's financial expert(s), and executive officers of the Company is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006, and is incorporated herein by reference. See also the information regarding executive officers of the registrant set forth in Part I under the caption "Executive Officers of the Registrant" in reliance on General Instruction G to Form 10-K.

On July 10, 2003, the Board of Directors of the Company adopted a code of ethics that applies to its principal executive officer, principal financial officer and principal accounting officer, and is incorporated herein by reference to Exhibit 14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

ITEM 11. EXECUTIVE COMPENSATION.

Information relating to executive compensation and the Company's equity compensation plans is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006, and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information with respect to beneficial ownership of Dow common stock by each Director and all Directors and executive officers of the Company as a group is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held May 11, 2006, and is incorporated herein by reference.

Information relating to any person who beneficially owns in excess of 5 percent of the total outstanding shares of Dow common stock is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held May 11, 2006, and is incorporated herein by reference.

Information with respect to compensation plans under which equity securities are authorized for issuance is contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006, and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

There were no such reportable relationships or related transactions in 2005.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Information with respect to fees and services related to the Company's independent auditors, Deloitte & Touche LLP, and the disclosure of the Audit Committee's pre-approval policies and procedures are contained in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006, and are incorporated herein by reference.

The Dow Chemical Company and Subsidiaries
PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this report:

- (1) The Company's 2005 Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8. Financial Statements and Supplementary Data.
- (2) Financial Statement Schedules – The following Financial Statement Schedule should be read in conjunction with the Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm included in Part II, Item 8 of this Annual Report on Form 10-K:

Schedule II Valuation and Qualifying Accounts

Schedules other than the one listed above are omitted due to the absence of conditions under which they are required or because the information called for is included in the Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.

- (3) Exhibits – See the Exhibit Index on pages 112-115 of this Annual Report on Form 10-K for exhibits filed with this Annual Report on Form 10-K or incorporated by reference. The following exhibits, listed on the Exhibit Index, are filed with this Annual Report on Form 10-K:

Exhibit No.	Description of Exhibit
10(p)	A copy of The Dow Chemical Company Elective Deferral Plan (for deferrals made through December 31, 2004) as amended and restated as of October 7, 2004.
10(t)	A copy of the Summary Plan Description for The Dow Chemical Company Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan, and Retiree Dependent Life Insurance Plan, amended and restated on October 1, 2005, effective as of November 1, 2005.
10(dd)	A copy of The Dow Chemical Company Elective Deferral Plan, effective for deferrals after January 1, 2005, amended on January 23, 2006.
10(gg)	A copy of the employment agreement with Geoffery Merszei, Executive Vice President and Chief Financial Officer.
21	Subsidiaries of The Dow Chemical Company.
23(a)	Consent of Independent Registered Public Accounting Firm.
23(b)	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.

A copy of any exhibit can be obtained online through the Company's Investor Relations webpage on www.dow.com, or the Company will provide a copy of any exhibit upon receipt of a written request for the particular exhibit or exhibits desired. All requests should be addressed to the Corporate Vice President and Controller of the Company at the address of the Company's principal executive offices.

The Dow Chemical Company and Subsidiaries
Valuation and Qualifying Accounts

Schedule II

(In millions)

For the Years Ended December 31

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
Description	Balance at Beginning of Year	Additions to Reserves	Deductions from Reserves	Balance at End of Year
2005				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$136	52	19 (a)	\$169
Other investments and noncurrent receivables	\$319	29	19	\$329
2004				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$118	49	31 (a)	\$136
Other investments and noncurrent receivables	\$323	7	11	\$319
2003				
RESERVES DEDUCTED FROM ASSETS TO WHICH THEY APPLY:				
For doubtful receivables	\$127	21	30 (a)	\$118
Other investments and noncurrent receivables	\$329	6	12	\$323

(a) Deductions represent:

Notes and accounts receivable written off
Credits to profit and loss
Miscellaneous other

2005	2004	2003
\$12	\$17	\$14
3	5	7
4	9	9
\$19	\$31	\$30

The Dow Chemical Company and Subsidiaries
Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 17th day of February 2006.

THE DOW CHEMICAL COMPANY

By: /s/ F. H. BROD
F. H. Brod, Corporate Vice President
and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed on the 17th day of February 2006 by the following persons in the capacities indicated:

/s/ A. A. ALLEMANG
A. A. Allemang, Director and Senior Advisor

/s/ K. R. MCKENNON
K. R. McKennon, Director

/s/ J. K. BARTON
J. K. Barton, Director

/s/ G. E. MERSZEI
G. E. Merszei, Director, Executive Vice President and
Chief Financial Officer

/s/ J. A. BELL
J. A. Bell, Director

/s/ J. P. REINHARD
J. P. Reinhard, Director

/s/ F. H. BROD
F. H. Brod, Corporate Vice President and Controller

/s/ J. M. RINGLER
J. M. Ringler, Director

/s/ J. M. COOK
J. M. Cook, Director

/s/ H. T. SHAPIRO
H. T. Shapiro, Presiding Director

/s/ W. D. DAVIS
W. D. Davis, Director

/s/ R. G. SHAW
R. G. Shaw, Director

/s/ J. M. FETTIG
J. M. Fettig, Director

/s/ W. S. STAVROPOULOS
W. S. Stavropoulos, Director and
Chairman of the Board

/s/ B. H. FRANKLIN
B. H. Franklin, Director

/s/ P. G. STERN
P. G. Stern, Director

/s/ A. N. LIVERIS
A. N. Liveris, Director, President, Chief Executive
Officer and Chairman-Elect

The Dow Chemical Company and Subsidiaries
Exhibit Index

EXHIBIT NO.	DESCRIPTION
2	Agreement and Plan of Merger dated as of August 3, 1999 among Union Carbide Corporation, The Dow Chemical Company and Transition Sub Inc., incorporated by reference to Annex A to the proxy statement/prospectus included in The Dow Chemical Company's Registration Statement on Form S-4, File No. 333-88443, filed October 5, 1999.
3(i)	The Restated Certificate of Incorporation of The Dow Chemical Company as filed with the Secretary of State of the State of Delaware on May 18, 2004, incorporated by reference to Exhibit 3(i) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2004.
3(ii)	The Bylaws of The Dow Chemical Company, as amended and re-adopted in full on April 10, 2003, effective March 21, 2003, incorporated by reference to Exhibit 3(ii) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2003.
4	Indenture, dated as of April 1, 1992, between The Dow Chemical Company and the First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4.1 to The Dow Chemical Company's Registration Statement on Form S-3, File No. 333-88617 (the "S-3 Registration Statement")), as amended by the Supplemental Indenture, dated as of January 1, 1994, between The Dow Chemical Company and The First National Bank of Chicago, as trustee (incorporated by reference to Exhibit 4.2 to the S-3 Registration Statement), as amended by the Second Supplemental Indenture, dated as of October 1, 1999, between The Dow Chemical Company and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as trustee (incorporated by reference to Exhibit 4.3 to the S-3 Registration Statement), as amended by the Third Supplemental Indenture, dated as of May 15, 2001, between The Dow Chemical Company and Bank One Trust Company, N.A. (formerly The First National Bank of Chicago), as trustee (incorporated by reference to Exhibit 4.4 to The Dow Chemical Company's Registration Statement on Form S-4, File No. 333-67368); and all other such indentures that define the rights of holders of long-term debt of The Dow Chemical Company and its consolidated subsidiaries as shall be requested to be furnished to the Securities and Exchange Commission pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K.
10(a)	The Dow Chemical Company Executives' Supplemental Retirement Plan, amended and restated on February 4, 2005, effective as of March 1, 2004, incorporated by reference to Exhibit 10(a) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2004.
10(b)	The Dow Chemical Company 1979 Award and Option Plan, as amended through May 1983 (included as part of and incorporated by reference to the Prospectus contained in Post-Effective Amendment No. 4 to The Dow Chemical Company's Registration Statement on Form S-8, File No. 2-64560, filed June 23, 1983), as amended April 12, 1984 (incorporated by reference to Exhibit 10(ff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1984), as amended April 18, 1985 (incorporated by reference to Exhibit 10(fff) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1985), as amended October 30, 1987 (incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1987).
10(c)	The Dow Chemical Company Voluntary Deferred Compensation Plan for Outside Directors (for deferrals made through December 31, 2004), as amended effective as of July 1, 1994, incorporated by reference to Exhibit 10(f) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994, as amended in the manner described in the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998, incorporated by reference.
10(d)	Intentionally left blank.
10(e)	The Dow Chemical Company Dividend Unit Plan, incorporated by reference to Exhibit 10(j) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1992.

**The Dow Chemical Company and Subsidiaries
Exhibit Index**

EXHIBIT NO.	DESCRIPTION
10(f)	The Dow Chemical Company 1988 Award and Option Plan (included as part of and incorporated by reference to the Prospectus contained in The Dow Chemical Company's Registration Statement on Form S-8, File No. 33-21748, filed May 16, 1988), as amended during 1991 (incorporated by reference to Exhibit 10(k) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1991), as amended effective as of January 1, 1997 (incorporated by reference to Appendix A to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 15, 1997); as amended pursuant to shareholder approval granted on May 9, 2002 (incorporated by reference to Agenda Item 3 of the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 9, 2002).
10(g)	Intentionally left blank.
10(h)	The Dow Chemical Company 1994 Executive Performance Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 12, 1994.
10(i)	The Dow Chemical Company 1994 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10(o) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1994.
10(j)	Intentionally left blank.
10(k)	A written description of the 1998 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 14, 1998.
10(l)	A written description of compensation for Directors of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006.
10(m)	A written description of the manner in which compensation is set for the Executive Officers of The Dow Chemical Company, incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006.
10(n)	A resolution adopted by the Board of Directors of The Dow Chemical Company on May 5, 1971, and most recently amended on July 9, 1998, describing the employee compensation program for decelerating Directors, incorporated by reference to Exhibit 10(p) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 1998; as amended, re-adopted in full and restated on March 21, 2003, incorporated by reference to Exhibit 10(n) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2003; as amended, re-adopted in full and restated on February 10, 2005, incorporated by reference to Exhibit 10(n) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.
10(o)	The template used for The Dow Chemical Company Key Employee Insurance Program ("KEIP"), which provides benefits using insurance policies that replace benefits otherwise payable under The Dow Chemical Company Executive Supplemental Retirement Plan and Company-Paid Life Insurance Plan, incorporated by reference to Exhibit 10(o) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2002. KEIP is a component of the annual pension benefits listed in and incorporated by reference to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company to be held on May 11, 2006.
10(p)	A copy of The Dow Chemical Company Elective Deferral Plan (for deferrals made through December 31, 2004) as amended and restated as of October 7, 2004.

The Dow Chemical Company and Subsidiaries
Exhibit Index

EXHIBIT NO.	DESCRIPTION
10(q)	Intentionally left blank.
10(r)	A severance agreement with Michael D. Parker, former President and Chief Executive Officer, incorporated by reference to Exhibit 10(r) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2002.
10(s)	The Summary Plan Description for The Dow Chemical Company Company-Paid Life Insurance Plan, Employee-Paid Life Insurance Plan, and Dependent Life Insurance Plan, amended and restated on October 1, 2004, for the Plan Year beginning January 1, 2005, incorporated by reference to Exhibit 10(s) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2004.
10(t)	A copy of the Summary Plan Description for The Dow Chemical Company Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan, and Retiree Dependent Life Insurance Plan, amended and restated on October 1, 2005, effective as of November 1, 2005.
10(u)	2003 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to Appendix C to the definitive Proxy Statement for the Annual Meeting of Stockholders of The Dow Chemical Company held on May 8, 2003.
10(v)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 1994 Non-Employee Directors' Stock Plan, incorporated by reference to Exhibit 10.1 to The Dow Chemical Company Current Report on Form 8-K filed on September 3, 2004.
10(w)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 2003 Non-Employee Directors' Stock Incentive Plan, incorporated by reference to Exhibit 10(w) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(x)	Performance Shares Deferred Stock Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(x) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(y)	Deferred Stock Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(y) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(z)	Non-Qualified Stock Option Agreement Pursuant to The Dow Chemical Company 1988 Award and Option Plan, incorporated by reference to Exhibit 10(z) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2004.
10(aa)	Settlement Agreement and General Release between Richard L. Manetta and The Dow Chemical Company dated December 10, 2004, incorporated by reference to Exhibit 10.1 to The Dow Chemical Company Current Report on Form 8-K filed on December 16, 2004.
10(bb)	Deferred Compensation Agreement between Richard L. Manetta and The Dow Chemical Company dated December 10, 2004, incorporated by reference to Exhibit 10.2 to The Dow Chemical Company Current Report on Form 8-K filed on December 16, 2004.
10(cc)	The Dow Chemical Company Voluntary Deferred Compensation Plan for Non-Employee Directors, effective for deferrals after January 1, 2005, incorporated by reference to Exhibit 10(cc) to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2004.
10(dd)	A copy of The Dow Chemical Company Elective Deferral Plan, effective for deferrals after January 1, 2005, amended on January 23, 2006.

**The Dow Chemical Company and Subsidiaries
Exhibit Index**

EXHIBIT NO.	DESCRIPTION
10(ee)	The template for communication to employee Directors who are decelerating pursuant to The Dow Chemical Company Retirement Policy for Employee Directors, incorporated by reference to Exhibit 10(ee) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.
10(ff)	Purchase and Sale Agreement dated as of September 30, 2005 between Catalysts, Adsorbents and Process Systems, Inc. and Honeywell Specialty Materials LLC, incorporated by reference to Exhibit 10(ff) to The Dow Chemical Company Quarterly Report on Form 10-Q for the quarter ended September 30, 2005.
10(gg)	A copy of the employment agreement with Geoffery Merszei, Executive Vice President and Chief Financial Officer.
14	Code of Ethics for Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer, incorporated by reference to Exhibit 14 to The Dow Chemical Company Annual Report on Form 10-K for the year ended December 31, 2003.
21	Subsidiaries of The Dow Chemical Company.
23(a)	Consent of Independent Registered Public Accounting Firm.
23(b)	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.

**The Dow Chemical Company and Subsidiaries
Trademark Listing**

The following trademarks or service marks of The Dow Chemical Company and certain affiliated companies of Dow appear in this report: AFFINITY, AMPLIFY, ASPUN, ATTANE, BETABRACE, BETADAMP, BETAFOAM, BETAGUARD, BETAMATE, BETASEAL, CALIBRE, CARBOWAX, CELLOSIZ, COMBOTHERM, CONTINUUM, D.E.H., D.E.N., D.E.R., DOW, DOW XLA, DOWEX, DOWEX QCAT, DOWFAX, DOWFLAKE, DOWLEX, DOWPER, DOWTHERM, DRYTECH, ELITE, EMERGE, ENGAGE, THE ENHANCER, EQUIFOAM, ETHAFOAM, ETHOCEL, FILMTEC, FLEXOMER, FROTH-PAK, GREAT STUFF, HAMPOSYL, IMOTUS, IMPAXX, INCLOSIA, INSITE, INSPIRE, INSTA-STIK, INTEGRAL, ISONATE, ISOPLAST, LIFESPAN, LIQUIDOW, LP OXO, MAGNUM, MAXICHECK, MAXISTAB, METEOR, METHOCEL, NEOCAR, NORDEL, OPTIM, PAPI, PELADOW, PELLETHANE, POLYOX, POLYPHOBE, PRIMACOR, PROCITE, PULSE, QBIS, QUASH, REDI-LINK, SAFE-TAINER, SARAN, SARANEX, SHAC, SI-LINK, SPECFLEX, SPECTRIM, STRANDFOAM, STYROFOAM, STYRON, STYRON A-TECH, STYRON C-TECH, SYMMATRIX, SYNERGY, SYNTegra, TERGITOL, TILE BOND, TRENCHCOAT, TRITON, TRYMER, TUFLIN, TYRIL, TYRIN, UCAR, UCARTHERM, UCON, UNIGARD, UNIPOL, UNIPURGE, UNIVAL, VERSENE, VERSIFY, VORACOR, VORACTIV, VORALAST, VORALUX, VORANATE, VORANOL, VORASTAR, WEATHERMATE, ZETABON

The following trademarks or service marks of Dow AgroSciences LLC and certain affiliated companies of Dow AgroSciences LLC appear in this report: CLINCHER, DITHANE, FORTRESS, GARLON, GLYPHOMAX, GRANDSTAND, GRANITE, HERCULEX, KEYSTONE, LAREDO, LONTREL, LORSBAN, MUSTANG, MYCOGEN, NATREON, NEXERA, PHYTOGEN, PROFUME, SENTRICON, STARANE, STINGER, SURPASS, TELONE, TORDON, TRACER NATURALYTE, VIKANE, WIDESTRIKE

The following registered service mark of American Chemistry Council appears in this report:
Responsible Care

The following trademark of Ashland, Inc. appears in this report: DERAKANE

The following trademark of Dow Corning Corporation appears in this report: SYLTHERM

**The Dow Chemical Company
Elective Deferral Plan**

ARTICLE I

PURPOSE AND EFFECTIVE DATE

The purpose of The Dow Chemical Company Elective Deferral Plan ("Plan") is to aid The Dow Chemical Company and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees, within the meaning of Sections 201(2), 301(a)3 and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and therefore exempt from Parts 2, 3, and 4 of Title I of ERISA, of The Dow Chemical Company with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified Hypothetical Investment Benchmarks. The Plan shall be effective for deferral elections made hereunder on or after January 1, 2001. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's retirement.

Effective December 15, 1994, The Dow Chemical Company originally adopted The Dow Chemical Company Elective Deferral Plan. Minor amendments were made to the Plan on December 11, 1997. On October 19, 2000 The Dow Chemical Company amended and restated the Plan, to be effective as of January 1, 2001, to read as set forth in this Plan document. Minor amendments to the restated Plan were made on December 11, 2000, September 10, 2001, October 4, 2001, September 9, 2002, December 2, 2002, February 3, 2003, April 7, 2003, July 7, 2003, August 4, 2003 and December 10, 2003. The Dow Chemical Company again restated the Plan on August 6, 2004, effective as of January 1, 2001, in order to clarify certain provisions of the Plan. Minor amendments to the restated Plan were made on October 7, 2004.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01 Administrator. "Administrator" means the Retirement Board appointed under the Dow Employees' Pension Plan.

Section 2.02 Base Salary. "Base Salary" means the annual base rate of pay from the Company at which a Participant is employed (excluding Performance Awards, commissions, relocation expenses, and other non-regular forms of compensation) before deductions under (A) deferrals pursuant to Section 4.02 and (B) contributions made on his or her behalf to any qualified plan maintained by any Company or to any cafeteria plan under Section 125 of the Internal Revenue Code maintained by any Company.

Section 2.03 Base Salary Deferral. "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his or her Deferral Account pursuant to Section 4.02.

Section 2.04 Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.05 Board. "Board" means the Board of Directors of The Dow Chemical Company.

Section 2.06 Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred upon: (i) the dissolution or liquidation of The Dow Chemical Company; (ii) a reorganization, merger or consolidation of The Dow Chemical Company with one or more corporations as a result of which The Dow Chemical Company is not a surviving corporation; (iii) approval by the stockholders of The Dow Chemical Company of any sale, lease, exchange, or other transfer (in one or series of transactions) of all or substantially all of the assets of The Dow Chemical

Company; (iv) approval by the stockholders of The Dow Chemical Company of any merger or consolidation of The Dow Chemical Company in which the holders of the voting stock of The Dow Chemical Company immediately before the merger or consolidation will not own fifty percent (50%) or more of the outstanding voting shares of the continuing or surviving corporation immediately after such merger or consolidation, or (v) a change of fifty-one percent (51%) (rounded to the next whole person) in the membership of the Board of Directors of The Dow Chemical Company within a twenty-four (24) month period, unless the election or nomination for election by stockholders of each new director within such period was approved by the vote of eighty-five percent (85%) (rounded to the next whole person) of the directors still in office who were in office at the beginning of the twenty-four month period.

Section 2.07 **Common Stock.** "Common Stock" means the common stock of The Dow Chemical Company.

Section 2.08 **Company.** "Company" means The Dow Chemical Company, its successors, any subsidiary or affiliated organizations authorized by the Board or the Retirement Board to participate in the Plan and any organization into which or with which The Dow Chemical Company may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.09 **Deferral Account.** "Deferral Account" means the notional account established for record keeping purposes for each Participant pursuant to Article VI.

Section 2.10 **Deferral Period.** "Deferral Period" is defined in Section 4.02.

Section 2.11 **Deferred Amount.** "Deferred Amount" is defined in Section 4.02.

Section 2.12 **Designee.** "Designee" shall mean The Dow Chemical Company's North American Compensation Resource Center to whom the Retirement Board has delegated the authority to take action under the Plan.

Section 2.13 **Disability.** "Disability" means eligibility for disability benefits under the terms of the Long-Term Disability Plan maintained by The Dow Chemical Company. The Retirement Board, in its complete and sole discretion, shall determine a Participant's disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company at which such Participant was employed, by a competent physician or medical clinic selected by the Retirement Board to confirm Disability. On the basis of such medical evidence, the determination of the Retirement Board as to whether or not a condition of Disability exists or continues shall be conclusive.

Section 2.14 **Eligible Compensation.** "Eligible Compensation" means any Base Salary, Performance Awards or Other Bonuses and any other monies deemed to be eligible compensation by The Dow Chemical Company.

Section 2.15 **Eligible Employee.** "Eligible Employee" means a key employee of any Company who: (i) is a United States employee or an expatriate who is paid from one of The Dow Chemical Company's U.S. entities, (ii) is a member of the functional specialist/functional leader or global leadership job families, (iii) has a job level of L2 or higher, (iv) is eligible for participation in the Savings Plan, (v) is designated by the Administrator as eligible to participate in the Plan as of September 30 for deferral of Base Salary and Performance Awards, and (vi) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

Section 2.16 **ERISA.** "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Section 2.17 **Fair Market Value.** "Fair Market Value" of a share of Common Stock means the closing price of The Dow Chemical Company's Common Stock on the New York Stock Exchange on the most recent day on which the Common Stock was so traded that precedes the date the Fair Market Value is to be determined. The definition of Fair Market Value in this Section shall be exclusively used to determine the values of a Participant's interest in The Dow Chemical Company Stock Index Fund (defined in Section 6.02(b)) for all relevant purposes under the Plan.

Section 2.18 **Form of Payment.** "Form of Payment" means payment in one lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years.

Section 2.19 **Hardship Withdrawal.** "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency.

Section 2.20 Hypothetical Investment Benchmark. "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks which are used to measure the return credited to a Participant's Deferral Account.

Section 2.21 Matching Contribution. "Matching Contribution" means the amount of annual matching contribution that each Company will make to the Plan.

Section 2.22 Other Bonus. "Other Bonus" means the amount awarded to a Participant for a Plan Year under any other incentive plan maintained by any Company that has been established and authorized as eligible for deferral.

Section 2.23 Other Deferral. "Other Deferral" means the amount of a Participant's Other Bonus which the Participant elects to have withheld on a pre-tax basis credited to his or her account pursuant to Section 4.02.

Section 2.24 Participant. "Participant" means any individual who is eligible and makes an election to participate in this Plan by filing a Participation Agreement as provided in Article IV.

Section 2.25 Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

Section 2.26 Performance Awards. "Performance Awards" means the amount paid in cash to the Participant by any Company in the form of annual incentive bonuses for a Plan Year.

Section 2.27 Performance Deferral. "Performance Deferral" means the amount of a Participant's Performance Award which the Participant elects to have withheld on a pre-tax basis from his or her Performance Award and credited to his or her account pursuant to Section 4.02.

Section 2.28 Phantom Share Units. "Phantom Share Units" means units of deemed investment in shares of The Dow Chemical Company Common Stock so determined under Section 6.02(b).

Section 2.29 Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

Section 2.30 Retirement. "Retirement" means normal or early retirement of a Participant from the Companies after attaining age 65 or age 50 with at least ten years of service under the Dow Employees' Pension Plan or any other defined benefit pension plan maintained by a Company under which a Participant is eligible to receive a benefit.

Section 2.31 Retirement Board. "Retirement Board" means the general administrator of the Plan appointed under the Dow Employees' Pension Plan.

Section 2.32 Savings Plan. "Savings Plan" means The Dow Chemical Company Employees' Savings Plan as it currently exists and as it may subsequently be amended.

Section 2.33 Section 16 Participant. "Section 16 Participant" means an officer or director of The Dow Chemical Company required to report transactions in The Dow Chemical Company securities to the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934.

Section 2.34 Termination of Employment. "Termination of Employment" means the cessation of a Participant's services as an employee of the Companies, whether voluntary or involuntary, for any reason other than Retirement, Disability or Death.

Section 2.35 Unforeseeable Emergency. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from a sudden and unexpected illness or accident of the Participant or a dependent of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Administrator.

Section 2.36 Valuation Date. "Valuation Date" means the last day of each calendar month or such other date as the Administrator in its sole discretion may determine.

ARTICLE III

ADMINISTRATION

Section 3.01 Administrator Duties. This Plan shall be administered by the Retirement Board. The Retirement Board shall consist of not less than three members who may, but need not, be employed by any Company. Each person appointed to the Retirement Board shall signify acceptance of his or her position and may resign by delivery of a written notice to The Dow Chemical Company. The Dow Chemical Company may remove any member at its pleasure by delivery of a written notice to the member. In the event of any vacancy in membership, The Dow Chemical Company shall (or, if at least three members are then serving, may in its discretion) appoint a successor to fill the vacancy in office; provided, however, that the Retirement Board may exercise its full authority and discretion notwithstanding the existence of any vacancy. Members shall serve without compensation for their services. The Retirement Board shall act by a majority of its members by vote at a meeting or by unanimous consent in writing. If all members of the Retirement Board are not available, a quorum, consisting of three (3) members of the Retirement Board, may act by a majority of the quorum. It may authorize one or more of its members to execute documents in its behalf. Any person, upon written notification of the authorization, shall accept and rely upon that authorization until notified in writing that the Retirement Board has revoked the authorization. The Retirement Board shall appoint a secretary (who may or may not be a Retirement Board member) to keep all minutes of its meetings and to receive and deliver all notices. The secretary shall record and, where appropriate, communicate to all persons affected all delegations made by the Retirement Board of its responsibilities, any rules and procedures adopted by the Retirement Board and all other formal actions taken by the Retirement Board. No member of the Retirement Board shall vote or act on any matter relating solely to him/herself. The Administrator may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting and waiver of notice of such meeting.

The Retirement Board shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers that are specially vested in any other person administering this Plan by the Administrator. The Administrator may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Administrator shall be conclusive and binding on any Company, Participants and Beneficiaries.

The Retirement Board has delegated to the North American Compensation Resource Center responsibility for performing certain administrative and ministerial functions under this Plan. The Designee shall be responsible for determining in the first instance issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Retirement Board shall have discretion to delegate such additional duties as it may determine. The Designee may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither The Dow Chemical Company, any other Company, a member of the Board, a member of the Retirement Board nor any Designee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan.

The Dow Chemical Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of The Dow Chemical Company (including the heirs, executors, administrators and other personal representatives of such person), each member of the Retirement Board and any Designee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of The Dow Chemical Company, the Administrator or Designee.

Any expense incurred by The Dow Chemical Company or the Administrator relative to the administration of this Plan shall be paid by The Dow Chemical Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Administrator or Designee.

Section 3.02 Claim Procedure. If a Participant or Beneficiary makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. All claims for benefits under this Plan shall be sent to the Designee. If the Designee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Designee shall inform the claimant in writing of such determination and the reasons therefor in terms calculated to be understood by the claimant. The notice shall be sent within 60 days of the claim unless the Designee determines that additional time, not exceeding 60 additional days, is needed and so notifies the claimant. The notice shall make specific reference to the pertinent Plan provisions on which the denial is based, and shall describe any additional material or information that is necessary to perfect the claim. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim. The claimant may within 60 days thereafter submit in writing to the Administrator a notice that the claimant contests the denial of his or her claim and desires a further review by the Administrator. The Administrator shall within 60 days thereafter review the claim and authorize the claimant to review pertinent documents and submit issues and comments relating to the claim to the Administrator. The Administrator will render a final decision on behalf of The Dow Chemical Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Administrator determines that additional time, not exceeding 60 days, is needed, and so notifies the claimant. If the Administrator fails to respond to a claim filed in accordance with the foregoing within 60 days or any such extended period, the claim shall be deemed to have been denied. If such determination is favorable to the claimant, it shall be binding and conclusive. If such determination is adverse to the claimant, it shall be binding and conclusive unless the claimant notifies the Retirement Board within 90 days after the mailing or delivery to him or her by the Retirement Board of its determination that he or she intends to institute legal proceedings challenging the determination of the Retirement Board, and actually institutes such legal proceeding within 180 days after such mailing or delivery.

ARTICLE IV

PARTICIPATION

Section 4.01 Participation. Participation in the Plan shall be limited to Eligible Employees who elect to participate in this Plan by filing a Participation Agreement with the Administrator. A Participation Agreement must be filed on or prior to the November 30 immediately preceding the Plan Year for which it is effective. The Administrator shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for Participants. Notwithstanding the foregoing, the Retirement Board, in its sole discretion, may permit a newly eligible Participant to submit a Participation Agreement within 30 days of that employee becoming eligible, and deferrals shall commence as soon as practical thereafter. An individual shall not be eligible to elect to participate in this Plan unless the individual is a Participant for the Plan Year for which the election is made. In the event a Participant transfers to a subsidiary of any Company and such subsidiary does not participate in the Plan, the Participant's Deferred Amount shall cease, and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed as originally elected by the Participant in the Participation Agreement.

Section 4.02 Contents of Participation Agreement. Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the Base Salary and Performance Awards for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than 5% (in 5% increments) of Base Salary and/or 5% (in 5% increments) of Performance Award/Other Bonus; (ii) the maximum Deferred Amount for any Plan Year or performance period shall not exceed 50% of Base Salary and 85% of Performance Award/Other Bonus; (iii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be (A) a specific future year, not greater than the year the Participant reaches age 70 ½ or (B) the period ending upon the Retirement or prior termination of employment of the Participant; and (iv) the form in which payments are to be made, which may be a lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years. Participation Agreements are to be completed in a format specified by the Administrator.

Section 4.03 Modification or Revocation of Election by Participant. A Participant may not change the amount of his or her Deferred Amount during a Plan Year. A Participant's Participation Agreement may not be made, modified or revoked retroactively, nor may a deferral period be shortened or reduced except as expressly provided in this Plan. For deferrals to occur from Performance Awards, the Participant must be actively employed, an eligible retiree or a member of an entire class of employees identified by the Administrator as eligible under Section 7.10.

ARTICLE V

DEFERRED COMPENSATION

Section 5.01 Elective Deferred Compensation. Except for Section 16 Participants, the Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. For Section 16 Participants who elect to direct their Deferred Amount to the Hypothetical Investment Benchmark of The Dow Chemical Company Stock Index Fund only, the Deferred Amount of that Participant with respect to each Plan Year of participation shall be credited to the Participant's Deferral Account in the Hypothetical Investment Benchmark of 125% of Ten Year Treasury Notes as and when such Deferred Amount would otherwise have been paid to the Participant; on a quarterly basis (on the last business day of the months of March, June, September and December), such Deferred Amount shall be reallocated to the Hypothetical Investment Benchmark of The Dow Chemical Company Stock Index Fund. If a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay or transfer the Deferred Amounts for all such Company's Participants to The Dow Chemical Company as and when the Deferred Amounts are withheld from a Participant's Base Salary, Performance Award or Other Bonus. Such forwarded Deferred Amounts will be held as part of the general assets of The Dow Chemical Company. The earnings based on a Participant's investment selection among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Administrator from time to time, shall be borne by The Dow Chemical Company. To the extent that any Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan.

Section 5.02 Vesting of Deferral Account. Except as provided in Sections 7.03 and 7.15, a Participant shall be 100% vested in his or her Deferral Account as of each Valuation Date.

ARTICLE VI

MAINTENANCE AND INVESTMENT OF ACCOUNTS

Section 6.01 Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrator shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 6.02 and Section 7.03 and distributions pursuant to Article VII with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02 Hypothetical Investment Benchmarks. (a) Each Participant shall be entitled to direct the manner in which his or her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Administrator from time to time, and in accordance with such rules, regulations and procedures as the Administrator may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferral Amounts are credited to his or her Deferral Accounts. Participants, except for Section 16 Participants, can reallocate among the Hypothetical Investment Benchmarks on a daily basis. Section 16 Participants can reallocate among the Hypothetical Investment Benchmarks in accordance with such rules, regulations and procedures as the Administrator may establish from time to time. This reallocation capability is extended to the monies associated with deferrals for services performed on or after January 1, 2001. Account balances from deferrals that occurred prior to January 1, 2001 will maintain the investment direction authorized under similar prior plans. Notwithstanding the foregoing, once

within 180 days after Retirement a Participant may reallocate deferrals that occurred prior to January 1, 2001 between The Dow Chemical Company Stock Index Fund and the 125% of Ten Year Treasury Note Hypothetical Investment Benchmarks.

(b) (i) The Hypothetical Investment Benchmarks available for Deferral Accounts will include "The Dow Chemical Company Stock Index Fund." The Dow Chemical Company Stock Index Fund will consist of deemed investments in shares of The Dow Chemical Company Common Stock including reinvestment of dividends, stock splits and without brokerage fees. Deferred Amounts that are deemed to be invested in The Dow Chemical Company Stock Index Fund shall be converted into Phantom Share Units based upon the Fair Market Value of the Common Stock as of the date(s) the Deferred Amounts are to be credited to a Deferral Account. The portion of any Deferral Account that is invested in The Dow Chemical Company Stock Index Fund shall be credited, as of each dividend payment date, with additional Phantom Share Units of Common Stock with respect to cash dividends paid on the Common Stock with record dates during the period beginning on the day after the most recent preceding Valuation Date and ending on such Valuation Date.

(ii) When a reallocation or a distribution of all or a portion of a Deferral Account that is invested in The Dow Chemical Company Stock Index Fund is to be made, the balance in such a Deferral Account shall be determined by multiplying the Fair Market Value of one share of Common Stock on the most recent Valuation Date preceding the date of such reallocation or distribution by the number of Phantom Share Units to be reallocated or distributed. Upon a distribution, the amounts in The Dow Chemical Company Stock Index Fund shall be distributed in the form of cash having a value equal to the Fair Market Value of a comparable number of actual shares of Common Stock.

(iii) In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, or other change in the corporate structure of The Dow Chemical Company affecting Common Stock, or a sale by The Dow Chemical Company of all or part of its assets, or any distribution to stockholders other than a normal cash dividend, then the Administrator may make appropriate adjustments to the number of deemed shares credited to any Deferral Account. The determination of the Retirement Board as to such adjustments, if any, to be made shall be conclusive.

(iv) Notwithstanding any other provision of this Plan, the Administrator shall adopt such procedures as it may determine are necessary to ensure that with respect to any Participant who is actually or potentially subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to his or her Deferral Account is deemed to be an exempt purchase for purposes of such Section 16(b), including without limitation requiring that no shares of Common Stock or cash relating to such deemed shares may be distributed for six months after being credited to such Deferral Account.

Section 6.03 Statement of Accounts. Each Participant shall be issued quarterly statements of his or her Deferral Account(s) in such form as the Administrator deems desirable, setting forth the balance to the credit of such Participant in his or her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE VII

BENEFITS

Section 7.01 Time and Form of Payment. At the end of the Deferral Period for each Deferral Account, The Dow Chemical Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement. If the Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay the balance of such Participant's Deferral Account, pursuant to the terms of the Plan, and The Dow Chemical Company shall reimburse such Company for any such payments. If the Participant has elected to receive payments from a Deferral Account in a lump sum, The Dow Chemical Company (or any other Company as described above) shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in a lump sum in cash on the January 31st after the end of the Deferral Period, and/or as soon as administratively feasible in the year of the payment of the Performance Award for the Performance Award deferral. If the Participant has elected to receive payments from a Deferral Account in installments, The Dow Chemical Company (or any other Company as described above) shall make cash only payments from such Deferral Account, each of which annual amount shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent annual Valuation Date preceding the first annual payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installment years (including the installment being paid). The first such installment shall be paid on the January 31st after the end of the Deferral Period and each subsequent installment shall be paid on or about the

anniversary of such first payment or in quarterly or monthly intervals, if selected. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

For Participants who elect to commence distribution of benefits upon Retirement, the lump sum cash payment or the first installment shall be paid on the January 31st after Retirement, and/or as soon as administratively feasible in the year of the payment of the Performance Award for the Performance Award deferral.

Notwithstanding any of the foregoing, Deferred Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.02 Changing Form of Benefit. Participants may elect an alternative form of payout as available under Section 7.01 by written election filed with the Administrator; provided, however, that the Participant files the election in the prior tax year and at least six (6) months prior to the first day of the month in which payments are to commence. Distribution change elections for payments commencing in January must be made no later than June 30 of the prior calendar year.

If the Participant files the election in the year that the benefit payments are to commence or in the prior year but less than six (6) months prior to the date of benefit commencement, the Participant will have his or her Deferral Account reduced by ten percent (10%) at the Valuation Date immediately prior to commencement of payments, and, for future deferrals only, all Participation Agreements previously filed by such Participant shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 7.03 Matching Contribution. Each Participant who elects to make deferrals of Eligible Compensation to the Plan will be credited with a Matching Contribution utilizing the same formula authorized under the Savings Plan for employer matching contributions. For purposes of calculating the match under this Plan, The Dow Chemical Company will assume each Participant is contributing the maximum allowable amount to the Savings Plan and receiving a match thereon. This assumed match from the Savings Plan will be offset from the Matching Contribution calculated under provisions of the Elective Deferral Plan. Notwithstanding the foregoing, the sum of the Matching Contribution under the Plan plus the assumed employer matching contributions under the Savings Plan may not exceed fifteen thousand dollars (\$15,000) in each Plan Year. The amount of the Matching Contribution may be based on a formula that takes into account a Participant's overall compensation and may be subject to maximum or minimum limitations. The Matching Contribution shall be credited to the Deferral Account as soon as administratively feasible within the first 60 days of the following plan year. The Matching Contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the Base Salary deferrals of the Participant. The Matching Contribution shall be distributed to the Participant according to the election made by the Participant governing his or her Base Salary deferrals and will vest one hundred percent (100%) on the date credited to the Participant's account.

If a Participant is employed by a Company, other than The Dow Chemical Company, an amount equal to all Matching Contributions credited to Participants of such Company shall be paid or transferred in full by such Company to The Dow Chemical Company as of the date such Matching Contribution is credited to a Participant's Deferred Account. The Dow Chemical Company shall hold such amounts as part of the general assets of The Dow Chemical Company.

Section 7.04 Retirement. Subject to Section 7.01 and Section 7.11 hereof, if a Participant has elected to have the balance of his or her Deferral Account distributed upon Retirement or after a Specific Future Year, the account balance of the Participant (determined as of the most recent Valuation Date preceding the end of the Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any of the foregoing, Deferred Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.05 Distributions after Specific Future Year. Subject to Section 7.01 and Section 7.11 hereof, if a Participant has elected to defer Eligible Compensation under the Plan until a stated future year, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any

of the foregoing, Deferred Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.06 Pre-Retirement Survivor Benefit. If a Participant dies prior to Retirement and prior to receiving full payment of his or her Deferral Account(s), The Dow Chemical Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) according to the form elected by the Participant as a part of the Participation Agreement. If a Participant was employed at a Company other than The Dow Chemical Company, such Company shall pay the remaining balance of such deceased Participant's Deferral Account in accordance with the preceding sentence, and The Dow Chemical Company shall reimburse the Company for such payment. In the event that installment payments are elected, The Dow Chemical Company shall continue to credit interest on the unpaid balance of the Deferral Account subject to Section 6.02(a) hereof, based on the Participant's investment elections. Participant's Beneficiary may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the death of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's death.

Section 7.07 Post-Retirement Survivor Benefit. If a Participant dies after Retirement and prior to receiving full payment of his or her Deferral Account(s), The Dow Chemical Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) according to the form elected by the Participant as a part of the Participation Agreement. If a Participant was employed at a Company other than The Dow Chemical Company, such Company shall pay the remaining balance of such deceased Participant's Deferral Account in accordance with the preceding sentence, and The Dow Chemical Company shall reimburse such Company for such payments. In the event that installment payments are elected, The Dow Chemical Company shall continue to credit interest on the unpaid balance of the Deferral Account subject to Section 6.02(a) hereof, based on the Participant's investment elections. Participant's Beneficiary may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the death of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's death.

Section 7.08 Disability. If a Participant suffers a Disability, the Participant's Deferred Amount shall cease, and The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay the benefit described in section 7.01. Participant may request acceleration of timing and form of payment by filing a written designation with the Administrator within 60 days of the determination of Disability of the Participant, provided that such change shall not be effective until the January 31st after the calendar year of the Participant's Disability.

Section 7.09 Termination of Employment. In the event of Termination of Employment which takes place prior to eligibility for Retirement, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay the benefits described in section 7.01 in a single lump sum payment as soon as practicable after the Termination of Employment.

Section 7.10 Merger, Joint Venture or Sale of Business Exception. Notwithstanding any of the foregoing, if the Termination of Employment occurs as a direct result of a merger, joint venture or sale of a subsidiary, division, business or other unit of any Company, or as a result of transfer of the Participant to a non-participating subsidiary or joint venture, as determined by the Administrator, the Administrator may, in its sole discretion,

(i) elect to waive the lump sum distribution of benefits for an entire class of affected employees transferring to the joint venture. In cases where this election is made by the Administrator, the Participant's Base Salary Deferrals shall cease and the Participant's Deferral Account shall remain deferred, in accordance with the distribution elected in the Participation Agreement, until the Participant's termination of employment from the joint venture, provided however, the Participant is employed by the joint venture until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the entity, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date. If any Company terminates its ownership interest in the joint venture, the Participant's Deferral Account shall remain deferred, in accordance with the distribution elected in the Participation Agreement, until the Participant's termination of employment from the remaining joint venture partners, provided however, the Participant is

employed by the remaining joint venture partners until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the remaining joint venture partners, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date.

(ii) elect to waive the lump sum distribution of benefits for an entire class of affected employees of a sale. In cases where this election is made by the Administrator, the Participant's Base Salary Deferrals shall cease and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed to Participants in accordance with the distribution elected in the Participation Agreement, provided however, the Participant is employed by the purchaser until at least age 50; in cases where the Participant is not 50 years old at the time of termination of employment from the purchaser, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay to the Participant a lump sum termination benefit equal to the balance of the Deferral Account as of the Valuation Date.

(iii) elect to permit the Performance Deferral for an entire class of affected employees transferring to the joint venture. In cases where this election is made by the Administrator, the award will be credited to the Participant's Deferral Account and the Participant's Deferral Account shall remain in effect until such time as benefits are distributed to Participants as provided under Section 7.10 (i).

(iv) elect to permit the Performance Deferral for an entire class of affected employees of a sale. In cases where this election is made by the Administrator, the award will be credited to the Participant's Deferral Account and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed to Participants as provided under Section 7.10 (ii).

Participants who retire or terminate after merger, joint venture or sale of a subsidiary, division, business or other unit of any Company, or as a result of transfer of the Participant to a non-participating subsidiary or joint venture assume the personal responsibility to notify The Dow Chemical Company of their status change. Failure to promptly notify The Dow Chemical Company may result in the loss of earnings beyond the status change date.

Section 7.11 Small Benefit Election. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Participant or Beneficiary(ies) is less than or equal to ten thousand dollars (\$10,000), the Administrator may, in its sole discretion, elect to pay such benefits in a single lump sum. The Administrator may also, in its sole discretion, elect to change monthly payments so they are at least three hundred dollars (\$300) by reducing the number of monthly installments.

Section 7.12 Hardship Withdrawals. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant's on-going Deferred Amount shall cease and a Participant shall be entitled to early payment of all or part of the balance in his or her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.12. A distribution pursuant to this Section 7.12 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.12 shall be made to the Administrator in such form and in accordance with such procedures as the Administrator shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.12 shall be made by the Administrator.

Section 7.13 Voluntary Early Withdrawal. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant shall be entitled to elect to withdraw all or a portion of the balance in his or her Deferral Account(s) in accordance with this Section 7.13 by filing with the Administrator such forms, in accordance with such procedures, as the Administrator shall determine from time to time. The amount of this withdrawal must be at least twenty five percent (25%) of the balance of the Deferral Account, or \$10,000.00, whichever is less. As soon as practicable after receipt of such form by the Administrator, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay an amount equal to ninety (90) percent of the amount elected for withdrawal (determined as of the most recent Valuation Date preceding the date such election is filed) to the electing Participant in a

lump sum in cash, and the Participant shall forfeit the remaining ten (10) percent of the amount elected for withdrawal. For future deferrals only, all Participation Agreements previously filed by a Participant who elects to make a withdrawal under this Section 7.13 shall be null and void after such election is filed (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such election is made.

Section 7.14 Change of Control. An Eligible Employee may, when completing a Participation Agreement during the enrollment period, elect that, if a Change of Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Deferral Account within thirty (30) days after the Change of Control. This election may be changed only during a 30-day period ending on November 30 of each calendar year and shall apply to the entire Deferral Account both before and after Retirement. The Deferral Account balance shall be determined as of the most recent Valuation Date preceding the month in which Change of Control occurs. All Participation Agreements previously filed by a Participant who receives a distribution under this Section 7.14 shall be null and void (including without limitation Participation Agreements with respect to Plan Years or performance periods that have not yet been completed), and such a Participant shall not thereafter be entitled to file any Participation Agreements under the Plan with respect to the first Plan Year that begins after such distribution is made.

Section 7.15 Discretionary Company Contributions. Any Company may at any time contribute a discretionary Company contribution. The amount of the discretionary contribution may vary from payroll period to payroll period throughout the Plan Year, may be based on a formula which takes into account a Participant's overall compensation, and otherwise may be subject to maximum or minimum limitations. The Discretionary Contribution shall be credited to the Deferral Account as soon as administratively feasible following the end of the payroll period. The discretionary contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the deferrals of the Participant. The discretionary contribution shall be distributed to the Participant according to the election made by the Participant governing his or her deferrals. The vesting schedule shall be at the sole discretion of the Plan Administrator.

If a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay or transfer to The Dow Chemical Company any amounts designated as discretionary Company contributions for all such Participants as of the date such discretionary Company contributions are credited to a Participant's Deferral Account. The Dow Chemical Company shall hold such amounts as part of the general assets of The Dow Chemical Company.

Section 7.16 Withholding of Taxes. Notwithstanding any other provision of this Plan, any Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE VIII

BENEFICIARY DESIGNATION

Section 8.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his or her Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrator, on such form and in accordance with such procedures as the Administrator shall establish from time to time.

Section 8.02 No Beneficiary Designation. If a Participant or Beneficiary fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or his or her Beneficiary, then the Participant's Beneficiary shall be deemed to be, in the following order:

- (a) to the spouse of such person, if any;
- (b) to the children of such person, if any;
- (c) to the beneficiary of any Company Paid Life Insurance of such person, if any;
- (d) to the beneficiary of the Executive Life Insurance of such person, if any;
- (e) to the beneficiary of any Company-sponsored life insurance policy for which any Company pays all or part of the premium of such person, if any; or
- (f) to the deceased person's estate.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

Section 9.01 Amendment. The Board may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

Section 9.02 Company's Right to Terminate. The Board may at any time terminate the Plan with respect to future Participation Agreements. The Board may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of The Dow Chemical Company, and upon any such termination, The Dow Chemical Company shall pay to each Participant (or shall transfer to a Company other than The Dow Chemical Company) the benefits such Participant is entitled to receive under the Plan as monthly installments over a three (3) year period commencing within ninety (90) days (determined as of the most recent Valuation Date preceding the termination date). Any Company may cease participation in the Plan for any reason by notifying The Dow Chemical Company in writing at least 30 days prior to such Company's cessation of participation. Payments to Participants of any such Company will commence in accordance with the terms of the Plan.

ARTICLE X

MISCELLANEOUS

Section 10.01 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA and therefore meant to be exempt from Parts 2, 3 and 4 of Title I of ERISA. All payments pursuant to the Plan shall first be made from the general assets of The Dow Chemical Company, as the entity primarily liable for such payments, and no special or separate fund shall be established or other segregation of assets made to assure payment. As described above, if a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay such Participant's Deferral Account balance to such Participant according to the terms of the Plan, and The Dow Chemical Company shall reimburse such Company for the amount of the payment. In the event The Dow Chemical Company is insolvent or is otherwise unable to make any required payment or reimbursement to a Participant or a Company, the Company (other than The Dow Chemical Company) that employed such Participant shall be secondarily liable for such payments from the general assets of such Company. No Participant or other person shall have under any circumstances any interest in any particular property or assets of The Dow Chemical Company or any other Company as a result of participating in the Plan. Notwithstanding the foregoing, The Dow Chemical Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of The Dow Chemical Company's creditors, to assist it in accumulating funds to pay its obligations.

Section 10.02 Nonassignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03 Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.04 Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Delaware, without reference to principles of conflict of law, except to the extent preempted by federal law.

Section 10.05 Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or any Company any obligation for the Participant to remain an employee of such Company or change the status of the Participant's employment or the policies of such Company and its affiliates regarding termination of employment.

Section 10.06 Underlying Incentive Plans and Programs. Nothing in this Plan shall prevent any Company from modifying, amending or terminating the compensation or the incentive plans and programs pursuant to which Performance Awards are earned and which are deferred under this Plan.

Section 10.07 Severance. Payments from the Executive Severance Supplement equal to six months' Base Salary will be credited to the Participant's Deferral Account subject to the same earnings methods and distribution elections most recently elected by the Participant governing his or her Base Salary deferrals. The Executive Severance Supplement for individuals who do not have an established Deferral Account will be deemed to be invested using the U.S. Treasury Note Hypothetical Investment Benchmark and a ten year payout distribution election.

Section 10.08 Successors of the Company. The rights and obligations of The Dow Chemical Company shall inure to the benefit of, and shall be binding upon, the successors and assigns of The Dow Chemical Company.

Section 10.09 Waiver of Breach. The waiver by The Dow Chemical Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

Section 10.10 Notice. Any notice or filing required or permitted to be given to The Dow Chemical Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of The Dow Chemical Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

By: _____

Its: Vice-President
Environment, Health and Safety
Human Resources and Public Affairs

APPENDIX A

The Dow Chemical Company Stock Index Fund

125% of Ten Year Treasury Notes

Fidelity Equity Income Fund

Vanguard 500 Index Fund

T. Rowe Price Mid-Cap Growth Fund

Fidelity Low-Priced Stock Fund

Fidelity International Growth Collective Trust

Vanguard Balanced Index Fund

**The Dow Chemical Company
Retiree Life Insurance Plans
for Salaried Retirees and Retirees of Certain Hourly Groups
Summary Plan Description for:**

Retiree Company-Paid Life Insurance Plan
Retiree Optional Life Insurance Plan
Retiree Dependent Life Insurance Plan

*Amended and Restated October 1, 2005
To be effective November 1, 2005 and thereafter until superseded*

This Summary Plan Description (SPD) is updated from time to time on the Dow Intranet:

See also the DowFriends edition that contains Choices enrollment brochures, which are published annually, for summaries of the most recent modifications to this SPD. Copies of updated SPDs can be found at the Dow Intranet address above, or by requesting a copy from the Retiree Service Center, Employee Development Center, Midland, MI 48674, telephone 800-344-0661 or 989-636-0977. Summaries of modifications may also be published from time to time in DowFriends or by separate letter.

Overview

Three life insurance benefit plans are available to eligible Retirees and their families: Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan and Retiree Dependent Life Insurance Plan (hereafter collectively referred to as the "Plans" or individually as "Plan"). This is the Summary Plan Description (SPD) for these plans. Different eligibility and coverage levels will apply depending on whether you are a Retired Salaried Employee or a Retired Hourly Employee. Also, there are differences among the various Hourly groups. Special rules also apply to Retired Split Dollar Participants, Post-65 Executive Life Participants and Disability Retirees.

Chapter One applies to The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan ("Retiree Company-Paid Life Insurance Plan"). The Retiree Company-Paid Life Insurance Plan is sponsored and administered by The Dow Chemical Company. It is part of The Dow Chemical Company Group Life Insurance Program (ERISA Plan #507). It provides group term life insurance underwritten by Metropolitan Life Insurance Company ("MetLife").

Chapter Two applies to The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Optional Life Insurance Plan ("Retiree Optional Life Insurance Plan"). The Retiree Optional Life Insurance Plan is sponsored and administered by The Dow Chemical Company. Premiums are paid by the Retiree. It is part of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program (ERISA Plan #515). It provides group term life insurance underwritten by MetLife.

Chapter Three applies to The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Dependent Life Insurance Plan ("Retiree Dependent Life Insurance Plan"). The Retiree Dependent Life Insurance Plan is sponsored and administered by The Dow Chemical Company. It is part of The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program. It provides group term life insurance underwritten by MetLife. The premium is paid by the Retiree. Coverage may be provided for eligible Dependents.

Please review the information in this SPD carefully to become familiar with your benefit plans, guidelines, rights and responsibilities. Words that are capitalized are either defined in this SPD or in the Plan Documents for The Dow Chemical Company Group Insurance Program (for the Retiree Company-Paid Life Insurance Plan) and The Dow Chemical Company Employee Paid and Dependent Life Insurance Program (for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan). The Plan Documents include the applicable insurance policies and insurance certificates. The Plan Documents are available upon request. Contact the Plan Administrator listed in the *ERISA Information* section.

References to "Dow" and "Participating Employers" are used interchangeably, and both refer collectively to The Dow Chemical Company and the subsidiaries and affiliates of The Dow Chemical Company that are authorized to participate in the Plans. The "Company" means The Dow Chemical Company.

Chapter One: The Retiree Company-Paid Life Insurance Plan

As of January 1, 2005, the following plans of The Dow Chemical Company Group Life Insurance Program were merged into The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan: Michigan Hourly Retiree Company-Paid Life Insurance Plan; Texas Operations Hourly Basic Life Insurance Plan; Hampshire Hourly Retiree Company-Paid Life Insurance Plan; Hampshire Chemical Corporation Hourly Retiree Company-Paid Life Insurance Plan for Retirees Who Retired Between March 1, 1988 and January 1, 1999; Hampshire Chemical Corporation Hourly Retiree Company-Paid Life Insurance Plan (Waterloo); and ANGUS Hourly Retiree Company-Paid Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Company-Paid Life Insurance Plan. Effective December 31, 2005, the Dow AgroSciences LLC Life Insurance Plan was terminated, and the retiree company-paid life insurance portion of that plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan for those who retired prior to January 1, 2006.

The Retiree Company-Paid Life Insurance Plan is referred to in Chapter One as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 applies to Retired Michigan Operations Hourly Employees

Section 3 applies to Retired Texas Operations Hourly Employees who retired during a specified period

Section 4 applies to Retired Hampshire Waterloo Hourly Employees who retired during a specified period

Section 5 applies to Retired Hampshire Owensboro and Nashua Hourly Employees who retired during a specified period

Section 6 applies to Disability Retirees

Section 7 applies to Retired Split Dollar Participants

Section 8 applies to Post-65 Executive Life Insurance Participants

Section 9 applies to Certain Union Carbide Retirees who retired prior to February 7, 2003

Section 10 applies to Retired Employees of Dow AgroSciences LLC who retired prior to January 1, 2006

Section 11 through to the remaining sections of Chapter One apply to all persons eligible for coverage under the Plan

Section 1. Retired Salaried Employees and Certain Retired Hourly Employees

Eligibility

Section 1 of Chapter One of this SPD does NOT apply to:

- Hourly Employees who retired from Michigan Operations;
- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;
- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Texas Operations Employees who retired prior to prior to January 1, 2003;
- Retired Split Dollar Participants;
- Post-65 Executive Life Insurance Participants; and
- Union Carbide Employees who retired prior to February 7, 2003; and
- Dow AgroSciences Employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who, on the day preceding your Retirement, was enrolled for coverage under a Company-Paid Life Insurance Plan offered under The Dow Chemical Company Group Life Insurance Program, you are eligible for the coverage described below in *Coverage Amounts for Eligible Salaried and Hourly Retirees*. In order to be a "Retiree", you must have been at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated.

Enrollment

Upon Retirement, you may complete an enrollment card, with coverage effective immediately. If you want to be covered under Plan Option I at age 65, you must complete an enrollment form and return it to the Dow Benefits Center **within 31 days** of your Retirement. **Failure to return the form within 31 days of your Retirement will result in automatic enrollment in pre-age 65 coverage and Plan Option II at age 65.**

Note: At a later date, you may decrease your coverage option by switching from Plan Option I to Plan Option II; however, you will not be permitted to upgrade your coverage by switching from Plan Option II to Plan Option I, even with proof of insurability.

You may waive coverage. If you want to waive coverage, you must provide written notification to the Dow Benefits Center.

Coverage Amounts for Eligible Salaried and Hourly Retirees

Coverage Prior to Age 65

Until you reach age 65, you will be provided with coverage equal to one times (1x) your base annual salary at time of Retirement, rounded up to the next \$1000, plus \$5000. Currently, the Company pays the cost of this coverage.

Coverage Age 65 or older

There are two plan options available to Retirees age 65 and older. Plan Option I requires a monthly Retiree contribution. Currently, Plan Option II is provided at no cost to you.

Plan Option I: Beginning on the first of the month following your 65th birthday, your life insurance will equal 1x your base annual salary, rounded up to the next \$1,000. At age 66, your coverage amount is reduced 20 percent (of the original amount) each year until age 68. At age 68 and beyond, your coverage amount is equal to one-half your base annual salary at time of Retirement, with minimum coverage of \$10,000. The following chart summarizes the insurance coverage for Retirees electing Plan Option I:

<u>Age</u>	<u>Coverage Amount</u>
65	1x base salary at time of Retirement (\$10,000 minimum)
66	80% of benefit at Retirement (\$10,000 minimum)
67	60% of benefit at Retirement (\$10,000 minimum)
68+	50% of benefit at Retirement (\$10,000 minimum)

Plan Option II: Beginning on the first of the month following your 65th birthday, your life insurance will equal 1x your base annual salary, rounded up to the next \$1,000. At age 66, your coverage amount is reduced 20 percent (of the original amount) each year until you reach age 70. At age 70 and beyond, Dow will provide coverage of \$5,000. The following chart summarizes the insurance coverage for Retirees electing Plan Option II.

<u>Age</u>	<u>Coverage Amount</u>
65	1x base salary at time of Retirement (\$5,000 minimum)
66	80% of benefit at Retirement (\$5,000 minimum)
67	60% of benefit at Retirement (\$5,000 minimum)
68	40% of benefit at Retirement (\$5,000 minimum)
69	20% of benefit at Retirement (\$5,000 minimum)
70+	\$5,000

Cost

Prior to Age 65

Currently, Retiree Company-Paid Life Insurance coverage is provided at no cost to you.

Age 65 and Older

Plan Option I: You share the cost of coverage with Dow. Your cost is based on a rate per \$1,000 of 1X coverage and is subject to change based on plan experience. Your premium payment is deducted, post-tax, from your monthly pension check. Premiums may vary from year to year. Check the Fall DowFriends issue for premium information. If you elect not to have your premium deducted from your pension check, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

Plan Option II: Currently, coverage is provided at no cost to you.

Section 2. Retired Michigan Operations Hourly Employees

Eligibility

If you are a Retired Michigan Operations Hourly Employee who Retired on or after June 1, 1990, and you were covered under the Company-Paid Life Insurance Plan on the day preceding your Retirement, you are eligible for the coverage described below under "*Coverage Amounts for Eligible Midland/Ludington Hourly Retirees*".

Coverage Amounts for Eligible Midland/Ludington Hourly Retirees

Prior to Age 65

Until you reach age 65, you will be provided with coverage equal to the amount of coverage you had as an active Hourly Employee under the Company-Paid Life Insurance on the day preceding the date of your Retirement.

Age 65 or older

On or after your 65th birthday, your Retiree Company-Paid Life Insurance benefits will be determined by applying the appropriate percentage from the following table to the amount of your Retiree Company-Paid Life Insurance in effect the date preceding your 65th birthday, with a minimum of \$5,000.

<u>Age</u>	<u>Coverage Amount</u>
65	½ x annual pay at time of Retirement (\$5,000 minimum)
66	80% of benefit at Retirement (\$5,000 minimum)
67	60% of benefit at Retirement (\$5,000 minimum)
68	40% of benefit at Retirement (\$5,000 minimum)
69	20% of benefit at Retirement (\$5,000 minimum)
70+	\$5,000

Cost

Currently, the Company pays the cost of this coverage.

Section 3. Retired Texas Operations Employees

Texas Operations Hourly Employees who Retired on or after October 1, 1992 through December 31, 2002, and had Non-Contributory coverage under The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for \$10,000 of coverage until age 65. Coverage is reduced to \$5000 at age 65. Currently, the Company pays the cost of this coverage.

Texas Operations Hourly Employees who Retired prior to October 1, 1992, have \$5000 of coverage. Currently, the Company pays the cost of this coverage.

Section 4. Retired Hampshire Waterloo Hourly Employees

If you retired from Hampshire Chemical Corp. on or after March 1, 1988, through December 31, 1999, at age 62 or older and were represented while an active employee by the United Steelworkers of America AFL-CIO Local Union #7110, a bargaining unit of Hampshire Chemical Corp.'s Waterloo, NY facility, you have \$5000 of coverage. Currently, the Company pays the cost of this coverage.

Section 5. Retired Hampshire Owensboro and Nashua Hourly Employees

If you Retired from Hampshire Chemical Corp. between March 1, 1988, and January 1, 1999, and had five or more years of service with W.R. Grace Company and/or Hampshire Chemical Corp. and were represented while an active employee by either the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (AFL-CIO) Local Lodge 727 (a bargaining unit at Hampshire Chemical Corp.'s Owensboro, Kentucky facility) or the International Chemical Workers Union Council/UFCW, Local No. 952-C (a bargaining unit at Hampshire Chemical Corp.'s Nashua, New Hampshire facility), you are eligible for the coverage described below in *Coverage Amounts for Eligible Hampshire Owensboro and Nashua Hourly Retirees*.

Coverage Amounts for Eligible Hampshire Owensboro and Nashua Hourly Retirees.

If you are an eligible Retiree who was represented by the International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers (AFL-CIO) Local Lodge 727 (a bargaining unit at Hampshire Chemical Corp.'s Owensboro, Kentucky facility) while you were an active Employee, your coverage is \$6000.

If you are an eligible Retiree who was represented by the International Chemical Workers Union Council/UFCW, Local No. 952-C (a bargaining unit at Hampshire Chemical Corp.'s Nashua, New Hampshire facility) while you were an active Employee, your coverage is \$5000.

Cost

Currently, the Company pays the cost of this coverage.

Section 6. Disability Retirees

If you are receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and are not a former Texas Operations Hourly Employee who retired prior to January 1, 2003, and you were covered under The Dow Chemical Company Company-Paid Life and/or Employee-Paid Life Insurance Plans on the day preceding your Retirement, you are eligible for the coverage described below in *Coverage Amounts for Disability Retirees*. If you are receiving disability retirement payments from the Union Carbide Employees' Pension Plan ("UCEPP") and retired on or after February 7, 2003, you are also eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

If you are a former Texas Operations Hourly Employee who retired prior to January 1, 2003 receiving a "disability retirement benefit" from the Dow Employees' Pension Plan ("DEPP"), as defined under DEPP, and you were covered under the Texas Operations Hourly Contributory Optional Life Insurance Plan coverage on the day preceding your Retirement, you are eligible for coverage as described below in *Coverage Amounts for Texas Operations Hourly Disability Retirees*.

Coverage Amounts for Disability Retirees

Pre-65 coverage.

If you are a Retiree who is receiving a "disability retirement benefit" from DEPP, as defined under DEPP, you will be provided with Retiree Company-Paid Life coverage equal to the coverage you had as an active employee. Until age 65, additional coverage equal to $1/2 \times$ or $1 \times$ your base annual pay at Retirement, rounded up to the next \$1000, is provided if you were previously enrolled for at least that amount of Employee-Paid Life coverage as an active employee. Coverage is contingent on you continuing to meet the requirements to receive disability retirement benefits from DEPP or UCEPP. If your DEPP disability retirement effective date is **prior to January 1, 2006** (or your UCEPP disability retirement effective date is on or after February 7, 2003 and prior to January 1, 2006), this additional coverage is currently provided at no cost to you.

Age 65 and older.

If you are: (1) a disability retiree under DEPP or UCEPP, and (2) your DEPP disability retirement effective date is **prior to January 1, 2006** (or your UCEPP disability retirement effective date is on or after February 7, 2003 and prior to January 1, 2006), and (3) you are not a Texas Operations Hourly Employee who began receiving Disability Retirement from DEPP prior to January 1, 2003, and (4) you were covered under the Dow Company-Paid Life Insurance Plan on the day preceding your Retirement, then you are covered under Plan Option I if you enrolled for Option I at time of Retirement. Coverage is contingent on you continuing to meet the requirements to receive disability retirement benefits from DEPP or UCEPP. Currently, this coverage is provided at no cost to you.

Coverage Amounts for Texas Operations Hourly Disability Retirees

If you are a former Texas Operations Hourly Employee who began receiving a "disability retirement benefit" prior to January 1, 2003 from the DEPP, as defined under DEPP, you will be provided the following coverage, provided you were enrolled in an amount equal to or greater than \$30,000 under the Texas Operations Hourly Contributory Optional Life Insurance Plan on the day preceding your Retirement. Currently, this coverage is provided at no cost to you.

<u>Age</u>	<u>Coverage Amount</u>
Prior to age 65	\$30,000
65	\$25,000
66	\$20,000
67	\$15,000
68+	\$10,000

Section 7. Retired Split Dollar Participants

A "Retired Split Dollar Participant" is eligible for the coverage described below in *Coverage Amount for Eligible Split Dollar Retirees*. A "Retired Split Dollar Participant" is defined as a person who meets the requirements of one of the following:

- i. A person who: (a) was a Retiree on or before September 30, 2003, and (b) was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on or before September 30, 2003, and (c) signed a waiver of all his or her rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between him or her and The Dow Chemical Company; or
- ii. A person who: (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2003, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2003, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium; or
- iii. A person who: (a) was an active Employee on September 30, 2002, and (b) was enrolled in The Dow Chemical Company Executive Split Dollar Life Insurance Plan on September 30, 2002, and (c) signed a waiver of all his or her rights under The Dow Chemical Company Executive Split Dollar Life Insurance Agreement between him or her and The Dow Chemical Company, and (d) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (e) is now a Retiree; or
- iv. A person who: (a) was an active Employee on or before October 31, 2002, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2002, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2002, and (d) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (e) is now a Retiree; or
- v. A person who: (a) was an active Employee on October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2003, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2003, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium, and (e) on the day preceding his or her Retirement, was covered under the Company-Paid Life Insurance Plan component of The Dow Chemical Company Group Life Insurance Program that is available to active Employees, and (f) is now a Retiree; or
- vi. A person who: (a) is V5 or above, and (b) is now a Retiree, and (c) for whom the Director of Global Benefits of The Dow Chemical Company has, on a date after January 1, 2004, approved to receive the same Retiree Company-Paid Life Insurance Plan benefits as those persons described in (i) through (vi) above; or
- vii. A person who: (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2005, and (d) whose coverage level under the Union Carbide Executive Life Insurance Plan just prior to termination of the Agreement and Collateral Assignment was two times his or her annual salary, for which he or she had to pay a premium, or
- viii. A person who is not described in vii above, and (a) was a Retiree on or before October 31, 2003, and (b) was enrolled in the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005, and (c) for whom the Agreement and Collateral Assignment between him or her and Union Carbide Corporation was terminated on or about October 31, 2005. For purposes of the Plan, "1X" means either 1 times your final annual salary at Union Carbide or 40% of your final annual salary at Union Carbide, or 2 times your final annual salary at Union Carbide, depending on the amount of coverage you had under the Union Carbide Corporation Executive Life Insurance Plan on October 31, 2005.

Enrollment

Retired Split Dollar Participants who were active Employees at the time their split dollar agreement was terminated, are required to submit an enrollment form at the time they Retire. Failure to return the form within 31 days of Retirement will result in automatic enrollment at the same coverage level you had as an active Employee under Company-Paid Life Insurance (1x coverage).

Coverage Amount for Eligible Split Dollar Retirees

Except for a person described in Section 7(viii), a Retired Split Dollar Participant has 1 times (1x) his or her final annual salary at the time of Retirement, which will continue until death. However, if you elect to waive this special 1x coverage, you will not be allowed to re-enroll in the future. With respect to a person described in Section 7 (viii), a Retired Split Dollar Participant has an amount of coverage equal to 1x, as defined in Section 7 (viii).

Cost

Currently, the Company pays the cost of this coverage.

Section 8. Post-65 Executive Life Insurance Participants

A "Post-65 Executive Life Insurance Participant" is a person who was notified prior to 1989 of their eligibility for Post-65 Executive Life Insurance, who subsequently retired and completed a Post-65 Executive Life Insurance election form, and did not later enroll in The Dow Chemical Company Executive Split Dollar Life Insurance Plan.

Enrollment

Post-65 Executive Life Insurance Coverage is closed to new enrollments.

Coverage Amount for Post-65 Executive Life Insurance Participants

Effective with their 65th birthday, a Post-65 Executive Life Insurance Participant has coverage equal to two times (2x) their final pay up to a maximum of two million dollars. This coverage will continue until death, as long as the required premiums are paid.

Cost

Currently, the cost of this coverage is shared by the Retiree and the Company. The Retiree's contribution, which is based on 1x of coverage is currently \$1.62 per thousand. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

End of Coverage

You will retain a one-time option to discontinue coverage under this program and obtain coverage applicable to a Retiree of like age under the Retiree Company-Paid Life Insurance Plan described under Section 1. However, there will be no refund of premiums paid under the Post-65 Executive Life Insurance program.

Section 9. Retired Union Carbide Employees

If you Retired prior to February 7, 2003, you are covered under The Dow Chemical Company Group Life Insurance Program's Union Carbide Subsidiary Basic Life Insurance Plan. You are not eligible for coverage under The Dow Chemical Company Group Life Insurance Program's Company-Paid Life Insurance Plan.

Section 10. Retired Dow AgroSciences Employees

If you retired prior to January 1, 2006 under the Dow AgroSciences LLC pension plan, you are eligible for coverage equal to one times (1x) your annual base salary at time of retirement, rounded up to the next \$1000, until you reach age 66. At age 66, coverage will decrease 20% each year until you either reach age 70 or until the coverage amount is reduced to \$10,000, whichever occurs first.

Enrollment

Coverage for Retired Dow AgroSciences Employees under this section is closed to new enrollments.

Cost

Currently, the Company pays the cost of this coverage.

Section 11. General Eligibility Information

Check the Plan Document, which addresses unusual situations, such as mergers and acquisitions, for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

Section 12. Reporting Imputed Income

Except for Retired Split Dollar Participants and Post-65 Executive Life Insurance Participants, the Internal Revenue Code allows the cost for the first \$50,000 of Retiree Company-Paid Life Insurance Plan coverage to be excluded from taxable income. Any imputed income resulting from your life insurance coverage will be reported to the IRS along with your annual pension income information.

The imputed income is determined based on a Uniform Premium Table established by the federal government.

If you are a retired Michigan Operations Hourly Employee, , the cost of your combined Company-Paid Life and Employee-Paid Life in excess of \$50,000 is taxable income and is determined based on the Uniform Premium Table established by the federal government.

Section 13. Naming Your Beneficiary

You designate your beneficiary when you Retire by completing the beneficiary designation section of your enrollment card. If you wish to name more than one beneficiary, you must also indicate the percentage of your benefit that each beneficiary is to receive.

If you do not name a beneficiary, your Retiree Company-Paid Life Insurance benefit will be paid to the person you designated under the active employee Company-Paid Life Insurance Plan. If there is no beneficiary designated under that plan, the default beneficiary is your estate. Your failure to designate a beneficiary may delay the payment of funds.

If you wish to change your beneficiary designation, complete a new beneficiary form, available from the Dow Benefits Center. A life event (such as marriage/domestic partnership, divorce/termination of domestic partnership, etc.) may signal a need to change your beneficiary. Beneficiary changes are not effective until the date received by the Dow Benefits Center, and are subject to the approval of MetLife.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements.

Section 14. Benefit Payment

In the event of your death, your beneficiary should contact the Retiree Service Center and present a certified copy of your death certificate. See *Claims Procedures Appendix* of this SPD.

Section 15. Accelerated Benefit Option (ABO)

Under the Accelerated Benefit Option, if you have been diagnosed as having a terminal illness, you may receive a portion of your Retiree Company-Paid Life Insurance and Retiree Optional Life Insurance benefits *before* death. Having access to life proceeds at this important time could help ease financial and emotional burdens. In order to use ABO, you must be covered for at least \$10,000 from your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance. You may receive an accelerated benefit of up to 50 percent (minimum \$5,000 and maximum \$250,000) of your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance if, as a result of an injury or sickness you are diagnosed as terminally ill, with six months or less to live, and from which there is no reasonable prospect of recovery. A claim form can be obtained from the Dow Benefits Center and must be completed and returned for evaluation and approval by MetLife.

Section 16. Funding

The Plan is funded by an insurance policy underwritten by Metropolitan Life Insurance Company ("MetLife").

Except for Plan Option I, the Participating Employers currently pay the entire cost of the Retiree Company-Paid Life Insurance Plan. For Plan Option I, the Retiree and the Participating Employer share the cost. The insurance carrier underwriting the Plans may combine the experience for the policy with other policies held by Dow. This means that the costs of these coverages may be determined on a combined basis, and the costs accumulated from year to year. Favorable

experience under one or more coverages in a particular year may offset unfavorable experience on other coverages in the same year or offset unfavorable experience of coverages in prior years. Policy dividends declared by the insurer for the Retiree Company-Paid Life Insurance Plan attributable to Dow's premiums are used to reduce Dow's cost for the coverage in the same and prior years.

Section 17. Your Rights

You have certain rights under the Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *the Company's Right to Amend, Modify and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

Section 18. Converting to an Individual Policy

Whenever your coverage decreases under this Plan, you are eligible to convert the amount of coverage you are losing to an individual non-term life insurance policy through MetLife, Inc. without proof of insurability. You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or decreases. Contact the Dow Retiree Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-800-MET-LIFE or 1-800-638-5433 to file your form, or to obtain further information.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

Chapter Two: Retiree Optional Life Insurance Plan

As of January 1, 2005, the following plans were merged into the Retiree Optional Life Insurance Plan: The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program's Retiree Optional Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Pre-65 Retiree Optional Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Retiree Optional Life Insurance plan (Waterloo); and ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Pre-65 Retiree Optional Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Optional Life Insurance Plan. Effective December 31, 2005, the Dow AgroSciences LLC Life Insurance Plan was terminated, and the optional retiree life insurance portion of that plan was incorporated into The Dow Chemical Company Group Life Insurance Program's Retiree Optional Life Insurance Plan for those who retired prior to January 1, 2006.

The Retiree Optional Life Insurance Plan is referred to in Chapter Two as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 applies to Retired Texas Operations Hourly Employees who retired during a specified period

Section 3 applies to Retired Hampshire Waterloo Hourly Employees who retired during a specified period

Section 4 applies to Disability Retirees

Section 5 applies to Retired Split Dollar Participants

Section 6 applies to Certain Union Carbide Retirees who retired prior to February 7, 2003

Section 7 applies to Retired Employees of Dow AgroSciences LLC who retired prior to January 1, 2006

Section 8 through to the remaining sections of Chapter Two apply to all persons eligible for coverage under the Plan

Section 1. Retired Salaried Employees and Certain Retired Hourly Employees

Eligibility

Section 1 of Chapter Two of this SPD does **NOT** apply to:

- Hourly Employees who retired from Michigan Operations;
- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;

- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Texas Operations Employees who retired prior to prior to January 1, 2003;
- Retired Split Dollar Participants;
- Union Carbide Employees who retired prior to February 7, 2003;
- Dow AgroSciences employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who is less than age 65 and, on the day preceding your Retirement, you were enrolled for coverage under an Employee-Paid Life Insurance Plan sponsored by a Participating Employer, you are eligible for the coverage described below in *Optional Coverage Amounts for Eligible Salaried and Hourly Retirees* without proof of insurability. If you were not previously enrolled, proof of insurability is required. In order to be a "Retiree", you must have had at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated.

Enrollment

If you were previously enrolled for Employee-Paid Life Insurance as an active Employee, you may complete an enrollment form upon Retirement, with coverage effective immediately under the Retiree Optional Coverage. You must complete an enrollment form and return it to the Retiree Service Center within 31 days of your Retirement. **Failure to return the form within 31 days of your Retirement will result in waiver of your coverage.**

If you were not previously enrolled, you must provide proof of insurability. This proof may require a physical examination, at your expense.

You may decrease or cancel your coverage at any time by completing a new enrollment card and returning it to the Retiree Service Center office.

If you wish to enroll at a later date or increase your coverage amount, proof of insurability will be required.

Optional Coverage Amounts and Costs for Eligible Salaried and Hourly Retirees

You may purchase coverage equal to either 1/2x or 1x your base annual salary at Retirement, rounded up to the next \$1,000, if you were previously enrolled for at least that amount of coverage as an active employee. Pre-65 Retiree Optional rates are age-related rates. Premium information is communicated in the annual Choices U.S. Retiree Benefits Enrollment Booklet, and periodically in DowFriends. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP") or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

If you were previously enrolled for a lesser amount, proof of insurability will be required. In any case, the maximum coverage available is 1x, rounded up to the next \$1,000.

End of Coverage

Coverage ends at the end of the month in which you reach age 65. Coverage ends earlier than age 65 if you cancel coverage or fail to pay the required premiums.

Section 2. Retired Texas Operations Employees

Retired October 1, 1992 through December 31, 2002

Texas Operations Hourly Employees who Retired on or after October 1, 1992 through December 31, 2002, and were enrolled on the day preceding their Retirement in the Optional Life Insurance Plan of The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for the coverage. Coverage may be purchased if you carried an amount equal to or greater than \$30,000 prior to age 65. You have the option of purchasing \$25,000 beginning on the first of the month following your 65th birthday. The amount of insurance is reduced each year with the minimum amount at age 68 of \$10,000.

Age 65	\$25,000
Age 66	\$20,000
Age 67	\$15,000
Age 68 & After	\$10,000

Your premium for Retiree Optional Life Insurance is based on the amount of coverage you select. Your premiums are deducted post-tax from your monthly pension check. Premiums are subject to change. Premium changes are published in DowFriends. If your premiums are not automatically deducted from pension payments from the Dow Employees' Pension Plan (DEPP), formerly known as the Dow Employee Retirement Plan (ERP), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Retired May 18, 1984 through November 30, 1991

Texas Operations Hourly Employees who Retired on or after May 18, 1984 through November 30, 1991, and were enrolled, on the day preceding their Retirement, in the Optional Life Insurance Plan of The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program are eligible for the coverage. Coverage may be purchased for half the amount of coverage you had as an active Employee under the Optional Contributory plan, up to \$25,000 until age 65. Eligibility for coverage ends at age 65, and is subject to continuous coverage.

Your premium for Retiree Optional Life Insurance is based on the amount of coverage you select. Your premiums are deducted post-tax from your monthly pension check. Premiums are subject to change. Premium changes are published in DowFriends. If your premiums are not automatically deducted from pension payments from the Dow Employees' Pension Plan (DEPP), formerly known as the Dow Employee Retirement Plan (ERP), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Section 3. Retired Hampshire Waterloo Hourly Employees

If you retired from Hampshire Chemical Corp. on or after March 1, 1988, through December 31, 1999, at age 55 or older and were represented while an active employee by the United Steelworkers of America AFL-CIO Local Union #7110, a bargaining unit of Hampshire Chemical Corp.'s Waterloo, NY facility, and you were enrolled in Hampshire Chemical Corp. supplemental employee paid life insurance coverage on the day preceding your retirement, you are eligible for the amount of optional life insurance you had on the day preceding your retirement, i.e., \$2500, \$5000, \$7500, or \$13,000. You are required to pay the premiums. Premiums are subject to change. Changes to premiums are published in DowFriends. If your premiums are not automatically deducted from payments from your pension, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Section 4. Disability Retirees

If you are receiving a "disability retirement benefit" from DEPP, as defined under DEPP, and you are not a former Texas Operations Hourly Employee, and you were covered under The Dow Chemical Company Employee-Paid Life Insurance Plan on the day preceding your Retirement, and your disability retirement effective date is on or after January 1, 2006, you are eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

If you are receiving a "disability retirement benefit" from UCEPP, as defined under UCEPP, and your disability retirement effective date is on or after January 1, 2006, and you were covered under The Dow Chemical Company Employee-Paid Life Insurance Plan on the day preceding your Retirement, you are also eligible for the coverage described below in *Coverage Amounts for Disability Retirees*.

Coverage Amounts for Disability Retirees

Pre-65 coverage.

Effective January 1, 2006, if you are a disability retiree under DEPP or UCEPP, and your disability retirement effective date is on or after January 1, 2006, your eligibility, coverage amounts and costs are the same as Retirees who are not receiving a "disability retirement benefit" under DEPP or UCEPP.

Age 65 and older.

Effective January 1, 2006, if you are a disability retiree under DEPP or UCEPP, and your disability retirement effective date is on or after January 1, 2006, your eligibility, coverage amounts and costs are the same as Retirees who are not receiving a Disability Retirement under DEPP or UCEPP.

Section 5. Retired Split Dollar Participants

Except for those described in Section 7 (viii) of Chapter One: Company Paid Life Insurance Plan in this SPD, Retired Split Dollar Participants are eligible for 1x Split Dollar Equivalent Coverage if they elected to purchase the 1x Employee-paid or Retiree-paid split dollar replacement coverage ("1x Split Dollar Equivalent Coverage") at the time it was offered to them when their split dollar agreements were terminated, and they continue to pay the premiums for that coverage. For the definition of "Retired Split Dollar Participants" see Chapter One of this SPD, Section 7 entitled *Retired Split Dollar Participants*. Retired Split Dollar Participants described in Section 7(viii) of Chapter One are not eligible for coverage under the Retiree Optional Life Insurance Plan.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

Enrollment

If you are a Retired Split Dollar Participant who was an active Employee at the time your split dollar agreement was terminated, and you are paying premiums for the 1x Split Dollar Equivalent Coverage, you are required to submit an enrollment form at the time you Retire if you wish to continue the 1x Split Dollar Equivalent Coverage as a Retiree. **Failure to return the form within 31 days of your Retirement will result in automatic enrollment in the 1x Split Dollar Equivalent Coverage.** If you waived the 1x Split Dollar Equivalent Coverage at the time your split dollar agreement was terminated, or if such coverage was waived or cancelled after your split dollar agreement was terminated, you may not subsequently enroll for such coverage at any time.

Costs

You pay the premium for coverage. The cost for coverage is subject to change, according to Plan experience. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan ("DEPP") or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be canceled.**

Coverage Levels

Coverage is 1x of your final annual salary rounded up to the next \$1,000.

End of Coverage

1x Split Dollar Equivalent Coverage ends if you cancel coverage or fail to pay the required premiums.

Section 6. Retired Union Carbide Employees

If you Retired prior to February 7, 2003, you are covered under The Dow Chemical Company Group Life Insurance Program's Union Carbide Subsidiary Basic Life Insurance Plan. You are not eligible for coverage under the Retiree Optional Life Insurance Plan.

Section 7. Retired Dow AgroSciences Employees

If you Retired prior to January 1, 2006 under the Dow AgroSciences LLC pension plan and if you were enrolled in supplemental coverage (1x, 2x, 3x, or 4x) under the Dow AgroSciences LLC Life Insurance Plan as an active Employee on the day preceding your retirement, you may purchase supplemental life insurance coverage equal to one times your annual base salary at the time of your Retirement. You are required to pay the premiums. Premiums are age-related and subject to change. Changes to premiums are published in DowFriends. If your premiums are not automatically deducted from payments from your pension, you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Coverage ends at the end of the month in which you reach age 65. Coverage ends earlier than age 65 if you cancel coverage or fail to pay the required premiums.

Section 8. General Eligibility Information

Check the Plan Document, which addresses unusual situations, such as mergers and acquisitions, for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

Section 9. Naming Your Beneficiary

You designate your beneficiary when you Retire by completing the beneficiary designation section of your enrollment card. If you wish to name more than one beneficiary, you must also indicate the percentage of your benefit that each beneficiary is to receive.

If you do not name a beneficiary, your Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated when you were an active Employee under the Employee-Paid Life Insurance Plan. If you did not designate a beneficiary under the Employee-Paid Life Insurance Plan, then the Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated under the Retiree Company-Paid Life Insurance Plan. If you did not name a beneficiary under the Retiree Company-Paid Life Insurance Plan, your Retiree Optional Life Insurance benefit will be paid to the beneficiary you designated under the active employee Company-Paid Life Insurance Plan. If you did not name a beneficiary under the active employee Company-Paid Life Insurance Plan, the default beneficiary designation is your estate. Your failure to designate a beneficiary may delay the payment of funds.

If you wish to change your beneficiary designation, complete a new beneficiary form, available from your Retiree Service Center office. A life event (such as Marriage/Domestic Partnership, divorce/termination of Domestic Partnership, etc.) may signal a need to change your beneficiary. Beneficiary changes are not effective until the date received by the Retiree Service Center, and are subject to the approval of MetLife.

All beneficiary designations must conform to MetLife's administrative requirements. Your beneficiary designation may be returned to you for you to make changes to it if it does not conform to MetLife's requirements. Beneficiary designations are not effective until MetLife has determined that they conform to MetLife's requirements.

Section 10. Benefit Payment

In the event of your death, your beneficiary should contact the Retiree Service Center. A certified death certificate must be provided to MetLife to disburse the life insurance proceeds. See *Claims Procedures Appendix* of this SPD. Contact the Retiree Service Center at 1-800-344-0661.

Section 11. Accelerated Benefit Option (ABO)

Under the Accelerated Benefit Option, if you have been diagnosed as having a terminal illness, you may receive a portion of your Retiree Company-Paid Life Insurance and Retiree Optional Life Insurance benefits *before* death. Having access to life proceeds at this important time could help ease financial and emotional burdens. In order to use ABO, you must be covered for at least \$10,000 from your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance. You may receive an accelerated benefit of up to 50 percent (minimum \$5,000 and maximum \$250,000) of your Retiree Company-Paid Life Insurance and/or Retiree Optional Life Insurance if, as a result of an injury or sickness you are diagnosed as terminally ill, with six months or less to live, and from which there is no reasonable prospect of recovery. A claim form can be obtained from the Retiree Service Center and must be completed and returned for evaluation and approval by MetLife.

Section 12. Funding

The Plan is funded by an insurance policy underwritten by Metropolitan Life Insurance Company ("MetLife").

Retirees pay the entire premium for coverage. The benefits under the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under this insurance coverage in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any future dividends declared for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

Joint Insurance Arrangement

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that has been approved by the U.S. Department of Labor in DOL Opinion Letter 97-24A. Under this arrangement, MetLife has or will write the coverage for the Plan, and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to Metropolitan. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco. This joint insurance arrangement does not apply to coverage for Retired Hourly Employees who were employed at Michigan Operations.

Section 13. Your Rights

You have certain rights under the Retiree Optional Life Insurance Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

Section 14. Converting to an Individual Policy

Whenever your coverage decreases under this Plan, you are eligible to convert the amount of coverage you are losing to an individual non-term life insurance policy through MetLife, Inc. without proof of insurability. You must file a conversion application with MetLife and make the required premium payment to MetLife within 31 days of the date your Dow coverage is lost or decreases. Contact the Dow Retiree Service Center to obtain a form for converting your coverage. Once you have obtained the form, contact the MetLife Conversion Group at 1-800-MET-LIFE or 1-800-638-5433 to file your form, or to obtain further information.

The cost of this individual coverage will probably be significantly higher than your group plan. Although not required, providing proof of insurability may help reduce your cost.

Chapter Three: Retiree Dependent Life Insurance Plan

As of January 1, 2005, the following plans were merged into the Retiree Dependent Life Insurance Plan: The Dow Chemical Company Texas Operations Hourly Optional Life Insurance Program's Retiree Dependent Life Insurance Plan; Hampshire Chemical Corporation Hourly Optional Group Life Insurance Program's Retiree Dependent Life Insurance Plan; and ANGUS Chemical Company Hourly Optional Group Life Insurance Program's Retiree Dependent Life Insurance Plan. Such plans no longer exist as separate plans, but are now a part of the Retiree Dependent Life Insurance Plan.

The Retiree Dependent Life Insurance Plan is referred to in Chapter Three as the "Plan".

Section 1 applies to Retired Salaried Employees and Certain Retired Hourly Employees

Section 2 through to the remaining sections of Chapter Three apply to all persons eligible for coverage under the Plan

Section 1. Retired Salaried Employees and Certain Retired Hourly Employees**Eligibility**

Section 1 of Chapter Two of this SPD does **NOT** apply to:

- Hampshire Hourly Employees who retired from the Waterloo, NY facility on or after March 1, 1988 through December 31, 1999;
- Hampshire Hourly Employees who retired from the Owensboro, KY or Nashua, NH facilities on or after March 1, 1988 through December 31, 1998;
- Hourly Employees who retired from Michigan Operations;
- Texas Hourly Employees who retired prior to October 1, 1989; and
- Union Carbide Employees who retired prior to February 7, 2003.
- Dow AgroSciences Employees who retired prior to January 1, 2006.

Except for those populations identified above, if you are a Retiree who, on the day preceding Retirement, was enrolled as an active Employee in a Dependent Life Insurance Plan sponsored by a Participating Employer, you are eligible for continued coverage for your Spouse of Record/Domestic Partner of Record and/or Dependent children who were covered under the active employee plan. In order to be a "Retiree", you must have been at least 50 years old with 10 or more years of Service at the time your employment with Dow terminated.

If your Spouse of Record/Domestic Partner of Record is eligible to participate in any dependent life insurance plan sponsored by a Participating Employer, either as a Dow Employee or Retiree, each of you may insure the other but only one of you may enroll for coverage for your dependent children. Double coverage is not allowed.

See Section 3 entitled *Dependent Eligibility* for who may be covered as a Dependent.

Enrollment

If you were previously enrolled for Dependent Life Insurance, complete the Dependent Life Insurance section of the Retiree enrollment form. Your continuation coverage will be effective immediately. You must complete the enrollment form and return it to the Retiree Service Center **within 31 days** of your Retirement. **Failure to return the form within 31 days of your Retirement will result in waiver of coverage.**

If you waive coverage when you Retire, you waive all future rights to participate in the Retiree Dependent Life Insurance Plan.

Dependent Coverage Amounts for Eligible Salaried and Hourly Retirees

Spouse of Record/Domestic Partner of Record: If your Spouse of Record/Domestic Partner of Record was covered under your Dependent Life Insurance Plan on the day preceding your Retirement, you may continue coverage equal to \$5,000.

Dependent Children: For any Dependent child who was covered under your Dependent Life Insurance Plan on the day preceding your Retirement, you may continue coverage equal to \$1,000, as long as he or she continues to meet eligibility requirements.

Cost

You pay the premium for coverage. Your premium for Retiree Dependent Life Insurance is based on the option that you select. The cost for coverage is subject to change, according to Plan experience. Premiums are subject to change. If your premiums are not automatically deducted from payments from the Dow Employees' Pension Plan (DEPP) or the Union Carbide Employees' Pension Plan ("UCEPP"), you must pay your premium within 31 days of your bill. **If your payment is not postmarked within 31 days of your bill, your coverage will be cancelled.**

Section 2. General Eligibility Information

If you do not meet the above eligibility criteria, check the Plan Document for additional eligible retiree populations.

The Plan Administrator determines eligibility. The Plan Administrator is a fiduciary to the Plan and has the full discretion to interpret the provisions of the Plan and to make findings of fact. Interpretations and eligibility determination by the Plan Administrator are final and binding on Participants.

If you want to file a Claim for a Determination of Eligibility because you are not sure whether you are eligible to participate in the Plan or have been told that you are not, see the *Claims Procedures Appendix* of this SPD.

Section 3. Dependent Eligibility

You may purchase coverage on the life of your Spouse of Record/Domestic Partner of Record and/or the life of your Dependent child or Dependent children. A Dependent child is defined as a child that is principally supported by you, is at least 15 days of age, and is:

- A natural or legally adopted child;
- A child of your Spouse or Domestic Partner permanently residing in your household; or
- A child for whom you or your Spouse of Record/Domestic Partner of Record are the legal guardian, supported solely by you and permanently residing in your household.

Generally, a child is NOT a Dependent if he or she is:

- Married. Coverage as a Dependent child ends on the date of Marriage/Domestic Partnership and may not be reinstated even if the Marriage/Domestic Partnership is terminated.
- Age 25 years or older, unless the dependent relationship continues because of a physical or mental handicapping condition. Contact your Retiree Service Center office if this applies to you.
- Employed full-time.
- Already covered as a dependent of another Dow Employee or Dow Retiree.

A Dependent Spouse, Domestic Partner, or child is not eligible if he or she resides outside the United States and Canada, or is in the military.

Section 4. Beneficiary Designation

You are the beneficiary of the Retiree Dependent Life Insurance Plan. This cannot be changed.

The benefits will be paid to you if you survive the Dependent. The benefits will be paid to your estate if:

- a. that Dependent dies at the same time your death occurs; or
- b. that Dependent dies within 24 hours of your death.

In any other instance where you do not survive your Dependent, the benefits will be paid to the Dependent's estate.

Section 5. Benefit Payment

In the event of the death of your Spouse of Record/Domestic Partner of Record or Dependent child, contact the Retiree Service Center and present a certified copy of your death certificate of your Dependent. See *Claims Procedures Appendix* of this SPD. Your benefit will be paid in a lump sum.

Section 6. Funding

Retirees pay the entire premium for coverage. The benefits under the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan are not combined for experience with the other insurance coverages. Favorable experience under this insurance coverage in a particular year may offset unfavorable experience in prior years. It is not anticipated that there will be any future dividends declared for the Retiree Optional Life Insurance Plan and the Retiree Dependent Life Insurance Plan based on the manner in which the insurer has determined the premium rates.

Section 7. Joint Insurance Arrangement

Dorinco Reinsurance Company (Dorinco) and MetLife have entered into an arrangement that has been approved by the U.S. Department of Labor in DOL Opinion Letter 97-24A. Under this arrangement, MetLife has or will write the coverage for the Plan, and Dorinco will assume a percentage of the risk. Under the insurance arrangement between MetLife and Dorinco, MetLife and Dorinco will each be liable to pay the agreed upon percentage of each death benefit claim in respect of a Plan Participant. When a claim for benefits is approved, Dorinco will transfer its percentage of each death benefit claim to MetLife. MetLife will then pay the full amount of the claim. If MetLife is financially unable to pay the portion of the claim, Dorinco will be obligated to pay the full amount of the claim directly. Similarly, if Dorinco is financially unable to pay its designated percentage of a particular claim, MetLife will be obligated to pay the entire amount of the claim. Neither MetLife nor Dorinco will charge the Plan any administrative fees, commissions or other consideration as a result of the participation of Dorinco. This joint insurance arrangement does not apply to coverage for Retired Hourly Employees who were employed at Michigan Operations.

Section 8. Your Rights

You have certain rights under the Retiree Dependent Insurance Plan and are entitled to certain information by law. Be sure to review the *Filing a Claim* section, *Appealing a Denial of Claims* section, *Fraud Against the Plan* section, *Grievance Procedure* section, *Your Legal Rights* section, *Welfare Benefits* section, *Company's Right to Amend, Modify, and Terminate the Plans* section, *Disposition of Plan Assets if the Plan is Terminated* section, *For More Information* section, *Important Note* section and *ERISA Information* section at the end of this SPD.

Section 9. End of Coverage

You may choose to cancel your coverage at any time by completing a new enrollment form and returning it to your Retiree Service Center office. Otherwise, coverage ends:

- In the event of your death.
- For your Spouse of Record/Domestic Partner of Record or Dependent child, when he or she is no longer eligible according to the terms of the Plan. In this case, complete a new enrollment form in order to receive a reduction in your monthly premium.

If you cancel coverage, you may not re-enroll in the future.

Section 10. Converting to an Individual Policy

If your Spouse of Record/Domestic Partner of Record or Dependent child loses coverage because of your death or because he or she no longer meets eligibility requirements, their coverage may be converted to an individual non-term policy through MetLife, Inc.. (In the case of minor children, the parent or legal guardian may act on their behalf.)

A conversion application must be filed and the required premium payment made to MetLife within 31 days of loss of coverage. Your Spouse of Record/Domestic Partner of Record or Dependent child's guardian should contact the Dow Retiree Service Center to obtain a form for converting the coverage. Once the form has been obtained, he or she should contact the MetLife Conversion Group at 1-800-MET-LIFE or 1-800-638-5433.

The cost of this individual coverage will probably be significantly higher than the group plan. Although not required, providing proof of insurability may help reduce the cost.

Section 11. Filing a Claim

See *Claims Procedures Appendix* of this SPD.

Section 12. Appealing a Denial of Claim

See *Claims Procedures Appendix* of this SPD.

Section 13. Fraud Against the Plan

Any Plan Participant who intentionally misrepresents information to the Plan or knowingly misinforms, deceives or misleads the Plan or knowingly withholds relevant information may have his/her coverage cancelled retroactively to the date deemed appropriate by the Plan Administrator. Further, such Plan Participant may be required to reimburse the Plan for Claims paid by the Plan. The employer may determine that termination of employment is appropriate and the employer and/or the Plan may choose to pursue civil and/or criminal action. The Plan Administrator may determine that the Participant is no longer eligible for coverage under the Plan because of his or her actions.

Section 14. Grievance Procedure

If you want to appeal the denial of a claim for benefits, see *Claims Procedures Appendix* of this SPD.

If you feel that anyone is discriminating against you for exercising your rights under these Plans, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under these Plans, or if you feel that the Plan Administrator has denied you any right you feel that you have under these Plans, you must notify the Plan Administrator (listed in the "ERISA Information" section of this SPD) in writing within 90 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong (if it was the Plan which did the wrong), or will make a recommendation to the Plan Sponsor or Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator's decision. You must submit written notice of your appeal to the Plan Administrator within 60 days of receipt of the Plan Administrator's decision. Your appeal will be reviewed and you will receive a written response within 60 days, unless special circumstances require an extension of time. (The Plan Administrator will give you written notice and reason for the extension.) In no event should the decision take longer than 120 days after receipt of your appeal. If you are not satisfied with the Plan Administrator's response to your appeal, you may file suit in court. **If you file a lawsuit, you must do so within 120 days from the date of the Plan Administrator's written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

Section 15. Your Legal Rights

When you are a Participant in the Retiree Company-Paid, Retiree Optional or Retiree Dependent Life Insurance Plans, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA). This law requires that all Plan Participants must be able to:

- Examine, without charge, at the Plan Administrator's office and at other specified locations, the Plan Documents and the latest annual reports filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefit Administration.
- Obtain, upon written request to the Plan Administrator, copies of the Plan Documents and Summary Plan Descriptions. The Administrator may charge a reasonable fee for the copies.
- Receive a summary of each Plan's annual financial report. The Plan Administrator is required by law to furnish each Participant with a copy of this summary annual report.

In addition to creating rights for you and all other Plan Participants, ERISA imposes duties on the people who are responsible for operating an employee benefit plan. The people who operate the Plans, called "fiduciaries" of the Plans, have a duty to act prudently and in the interest of you and other Plan Participants and beneficiaries.

No one, including your employer or any other person, may discharge you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit, or from exercising your rights under ERISA. If you have a claim for benefits that is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the legal rights described above. For instance, if you request materials from one of the Plans and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits which is denied or ignored, in whole or in part, you must file a written appeal within the time period specified in the Plan's Claims Procedures. Failure to comply with the Plan's claims procedures may significantly jeopardize your rights to benefits. If you are not satisfied with the final appellate decision, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Claims Administrator's or the Plan Administrator's final written decision (or the deadline the Claims Administrator or Plan Administrator had to notify you of a decision). Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.** The court will decide who should pay court costs and legal fees. If you are successful the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

If it should happen that plan fiduciaries misuse one of the Plan's money, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the alleged misuse. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you feel that anyone is discriminating against you for exercising your rights under this benefit plan, or if you feel that someone has interfered with the attainment of any right to which you feel you are entitled under any of the Plans, you must notify the Plan Administrator listed in the "ERISA Information" section of this SPD in writing within 120 days of the date of the alleged wrongdoing. The Plan Administrator will investigate the allegation and respond to you in writing within 120 days. If the Plan Administrator determines that your allegation has merit, the Plan Administrator will either correct the wrong, if it was the Plan which did the wrong, or will make a recommendation to the Plan Sponsor or Participating Employer if any of them have been alleged to be responsible for the wrongdoing. If the Plan Administrator determines that your allegation is without merit, you may appeal the Plan Administrator's decision. You must submit written notice of your appeal to the Plan Administrator within 60 days of receipt of the Plan Administrator's decision. Your appeal will be reviewed and you will receive a written response within 60 days. If you are not satisfied with the Plan Administrator's response to your appeal, you may file suit in Federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Plan Administrator's written response to your appeal. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

If you have any questions about the Program, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, you should contact the nearest Office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Pension and Welfare Benefits Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Pension and Welfare Benefits Administration.

Section 16. Welfare Benefits

Welfare benefits, such as the Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan and Retiree Dependent Life Insurance Plan, are not required to be guaranteed by a government agency.

Section 17. The Company's Right to Amend, Modify, and Terminate the Plans

The Company reserves the right to amend, modify or terminate the Retiree Company-Paid Life Insurance Plan, Retiree Optional Life Insurance Plan and Retiree Dependent Life Insurance Plan at any time at its sole discretion. Amendments, modifications, or termination of the any of the Plans that have a financial impact of U.S. \$10 million or more to The Dow

Chemical Company (Company) in any single year require the approval of the Board of Directors of the Company or any committee of the Company that the Board may authorize to act on its behalf. Amendments, modifications, or termination of any of the Plans that have a financial impact of less than U.S. \$10 million to the Company in any single year must be signed by the President or a Vice President of the Company and reviewed by the applicable Plan Administrator and an attorney in the Company's Legal Department. Certain modifications or amendments of the Plans which the Company deems necessary or appropriate to conform the Plans to, or satisfy the conditions of, any law, governmental regulation or ruling, and to permit the Plans to meet the requirements of the Internal Revenue Code may be made retroactively if necessary. Other amendments or modifications may also be made retroactively effective.

Section 18. Disposition of Plan Assets if the Plans are Terminated

The Company may terminate any of the Plans at any time at its sole discretion. If the Company terminates a Plan, the assets of the Plan, if any, shall not be used by the Company, but may be used in any of the following ways:

- 1) to provide benefits for Participants in accordance with the Plan, and/or
- 2) to pay third parties to provide such benefits, and/or
- 3) to pay expenses of the Plan and/or the Trust holding the Plan's assets, and/or
- 4) to provide cash for Participants, as long as the cash is not provided disproportionately to officers, shareholders, or Highly Compensated Employees.

Section 19. For More Information

If you have questions, contact the Retiree Service Center, The Dow Chemical Company, Employee Development Center, Midland, Michigan 48674; Phone (800) 344-0661.

Section 20. Important Note

This booklet is the summary plan description (SPD) for The Dow Chemical Company Group Life Insurance Program's Retiree Company-Paid Life Insurance Plan, The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Optional Life Insurance Plan, and The Dow Chemical Company Employee-Paid and Dependent Life Insurance Program's Retiree Dependent Life Insurance Plan. However, it is not all-inclusive and it is not intended to take the place of each Plan's legal documents. In case of conflict between this SPD and the applicable Plan Document, the applicable Plan Document will govern.

The Plan Administrator and the Claims Administrator are Plan fiduciaries. The Plan Administrator has the full and complete discretion to interpret and construe all of the provisions of the Plans for all purposes except to make Claims for Plan Benefits determinations, which discretion is reserved for the Claims Administrator, and such interpretation shall be final, conclusive and binding. The Plan Administrator also has the full and complete discretion to make findings of fact for all purposes except to make Claims for Plan Benefits determinations, which discretion is reserved for the Claims Administrator, and the Plan Administrator has the full authority to apply those findings of fact to the provisions of the Plans. All findings of fact made by the Plan Administrators shall be final, conclusive and binding. The Plan Administrator has the full and complete discretion to decide whether or not it is making a Claims for Plan Benefits determination. For a detailed description of the Plan Administrator's authority, see the applicable Plan Document.

For the purpose of making Claims for Plan Benefits determinations, the Claims Administrator has the full and complete discretion to interpret and construe the provisions of the Plans, and such interpretation shall be final, conclusive and binding. For the purpose of making Claims for Plan Benefits determinations, the Claims Administrator also has the full and complete discretion to make findings of fact and to apply those findings of fact to the provisions of the Plans. All findings of fact made by the Claims Administrator shall be final, conclusive and binding. For a detailed description of the Claims Administrator's authority, see the applicable Plan Document.

ERISA INFORMATION
The Dow Chemical Company Group Life Insurance Program's
Retiree Company-Paid Life Insurance Plan
(A Welfare Benefit Plan)

Plan Sponsor: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-877-623-8079

Employer Identification Number: 38-1285128

Plan Number: 507

Group Policy Number: 11700-G

Plan Administrator and Fiduciary: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-877-623-8079

To Apply For A Benefit Contact: See Claims Procedures Appendix to this SPD

To Appeal A Benefit Determination, File with: See Claims Procedures Appendix to this SPD

To Serve Legal Process, File With: General Counsel
The Dow Chemical Company
c/o HR Legal Department
2030 Dow Center
Midland, MI 48674

Claims Administrator and Fiduciary: Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company
Metropolitan Life Insurance Company
Group Life Claims
Onedia County Industrial Park
Utica, NY 13504-6115

Plan Year: The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.

Funding: Except for Plan Option I, the Participating Employers pay the entire premium for the Plan. For Plan Option I, the Retiree and the Participating Employer share the premiums. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plans may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plans, as the Plans may be amended from time to time, as well as to pay for any expenses of the Plans. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorney's fees, third party administrator fees, and other administrative expenses.

ERISA Information
The Dow Chemical Company
Employee-Paid and Dependent Life Insurance Program's
Retiree Optional Life Insurance Plan
(Welfare Benefit Plans)

Plan Sponsor: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-877-623-8079

Employer Identification Number: 38-1285128

Plan Number: 515

Group Policy Number: 11700-G

Plan Administrator and Fiduciary: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-877-623-8079

To Apply For A Benefit: See Claims Procedures Appendix to this SPD

To Appeal A Benefit Determination: See Claims Procedures Appendix to this SPD

To Serve Legal Process, File With: General Counsel
The Dow Chemical Company
c/o HR Legal Department
2030 Dow Center
Midland, MI 48674

Claims Administrator and Fiduciary: Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company.

Metropolitan Life Insurance Company
Group Life Claims
Onedia County Industrial Park
Utica, NY 13504-6115

Plan Year: The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.

Funding: Retirees pay the entire premium for the Plan. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plan may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plan, as the Plan may be amended from time to time, as well as to pay for any expenses of the Plan. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorneys fees, third party administrator fees, and other administrative expenses.

**Joint Insurance
Arrangement:**

Dorinco and MetLife have entered an arrangement approved by the U.S. Department of Labor (DOL Advisory Opinion Letter 97-24A) in which if MetLife is insolvent, the entire life insurance benefit will be paid by Dorinco. If Dorinco is insolvent, the entire life insurance benefit will be paid by Metropolitan.

Dorinco's address is:
Dorinco Reinsurance Company
1320 Waldo Avenue
Dorinco Building
Midland, MI 48642

**ERISA Information
The Dow Chemical Company
Employee-Paid and Dependent Life Insurance Program's
Retiree Dependent Life Insurance Plan
(Welfare Benefit Plans)**

Plan Sponsor: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-800-336-4456

Employer Identification Number: 38-1285128

Plan Number: 515

Group Policy Number: 11700-G

Plan Administrator and Fiduciary: The Dow Chemical Company
Employee Development Center
Midland, MI 48674
1-877-623-8079

To Apply For A Benefit: See Claims Procedures Appendix to this SPD

To Appeal A Benefit Determination: See Claims Procedures Appendix to this SPD

To Serve Legal Process, File With: General Counsel
The Dow Chemical Company
c/o HR Legal Department
2030 Dow Center
Midland, MI 48674

Claims Administrator and Fiduciary: Metropolitan Life Insurance Company administers claims under a group policy issued to The Dow Chemical Company.
Metropolitan Life Insurance Company
Group Life Claims
Onedia County Industrial Park
Utica, NY 13504-6115

Plan Year: The Plan's fiscal records are kept on a plan year beginning January 1 and ending December 31.

Funding: Retirees pay the entire premium for the Plan. Benefits are funded through a group insurance contract with Metropolitan Life Insurance Company. The assets of the Plan may be used at the discretion of the Plan Administrator to pay for any benefits provided under the Plan, as the Plan may be amended from time to time, as well as to pay for any expenses of the Plan. Such expenses may include, and are not limited to, consulting fees, actuarial fees, attorneys fees, third party administrator fees, and other administrative expenses.

**Joint Insurance
Arrangement:**

Dorinco and MetLife have entered an arrangement approved by the U.S. Department of Labor (DOL Advisory Opinion Letter 97-24A) in which if MetLife is insolvent, the entire life insurance benefit will be paid by Dorinco. If Dorinco is insolvent, the entire life insurance benefit will be paid by Metropolitan.

Dorinco's address is:
Dorinco Reinsurance Company
1320 Waldo Avenue
Dorinco Building
Midland, MI 48642

CLAIMS PROCEDURES APPENDIX

Summary Plan Descriptions of the life insurance plans sponsored by The Dow Chemical Company

You Must File a Claim in Accordance with These Claims Procedures

A "Claim" is a written request by a claimant for a *Plan benefit* or an *Eligibility Determination*. There are two kinds of Claims:

A Claim for Plan Benefits is a request for benefits covered under the Plan.

An Eligibility Determination is a kind of Claim. It is a request for a determination as to whether a claimant is eligible to be a Participant or covered Dependent under the Plan.

You must follow the claims procedures for either *CLAIMS FOR PLAN BENEFITS* or *CLAIMS FOR AN ELIGIBILITY DETERMINATION*, whichever applies to your situation. See applicable sections below entitled *CLAIMS FOR PLAN BENEFITS* and *CLAIMS FOR ELIGIBILITY DETERMINATIONS*.

Who Will Decide Whether to Approve or Deny My Claim?

The Dow Chemical Company will approve or deny a Claim for an Eligibility Determination. The initial determination is made by the Dow Benefit Center. If you appeal, the appellate decision is made by the Director of Global Benefits.

MetLife will approve or deny a Claim for Plan Benefits. MetLife is the Claims Administrator for both the initial determination and (if there is an appeal), the appellate determination.

An Authorized Representative May Act on Your Behalf

An Authorized Representative may submit a Claim on behalf of a Plan Participant. The Plan will recognize a person as a Plan Participant's "Authorized Representative" if such person submits a notarized writing signed by the Participant stating that the Authorized Representative is authorized to act on behalf of such Participant. A court order stating that a person is authorized to submit Claims on behalf of a Participant will also be recognized by the Plan.

Authority of the Administrators and Your Rights Under ERISA

The Administrators have the full, complete, and final discretion to interpret the provisions of the Plan and to make findings of fact in order to carry out their respective Claims decision-making responsibilities.

Interpretations and claims decisions by the Administrators are final and binding on Participants. If you are not satisfied with an Administrator's final appellate decision, you may file a civil action against the Plan under s. 502 of the Employee Retirement Income Security Act (ERISA) in a federal court. **If you file a lawsuit, you must do so within 120 days from the date of the Administrator's final written decision. Failure to file a lawsuit within the 120 day period will result in your waiver of your right to file a lawsuit.**

CLAIMS FOR PLAN BENEFITS

Information Required In Order to Be a "Claim":

For Claims that are requests for Plan benefits, the claimant must complete a MetLife claims form. Call the Retiree Service Center to obtain a form 1-800/344-0661. In addition, you must attach a certified death certificate (must be certified by the government authority, as exhibited by a "raised seal" on the certificate). You may request assistance from the Dow Benefits Center (1-989/636-9556) if you need help completing the MetLife claims form.

Once you have completed the MetLife claims form, you must send it and the certified death certificate to:

Dow Benefits Center
The Dow Chemical Company
Employee Development Center
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.

The Dow Benefits Center will review and sign your completed MetLife claims form and forward the form and death certificate to:

Metropolitan Life Insurance Company
Group Life Claims
Oneida Country Industrial Park
Utica, NY 13504-6115

Attention: Claims Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.

CLAIMS FOR DETERMINATION OF ELIGIBILITY

Information Required In Order to Be a "Claim":

For Claims that are requests for *Eligibility Determinations*, the Claims must be in writing and contain the following information:

- State the name of the Employee, and also the name of the person (Employee, Spouse of Record/Domestic Partner of Record, Dependent child, as applicable) for whom the *Eligibility Determination* is being requested
- Name the benefit plan for which the *Eligibility Determination* is being requested
- If the *Eligibility Determination* is for the Employee's Dependent, describe the relationship for whom an *Eligibility Determination* is being requested to the Employee (eg. Spouse of Record/Domestic Partner of Record, Dependent child, etc.)
- Provide documentation of such relationship (eg. marriage certificate/statement of Domestic Partnership, birth certificate, etc)

Claims for Eligibility Determinations must be filed with:

Dow Benefits Center
The Dow Chemical Company
Employee Development Center
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries.
(Eligibility Determination)

INITIAL DETERMINATIONS

If you submit a *Claim for Plan Benefits* or a *Claim for Eligibility Determination* to the applicable Administrator, the applicable Administrator will review your Claim and you notify you of its decision to approve or deny your Claim. Such notification will be provided to you in writing within a reasonable period, not to exceed 90 days of the date you submitted your claim; except that under special circumstances, the Administrator may have up to an additional 90 days to provide you such written notification. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 90 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the applicable Administrator denies the Claim, the written notification of the Claims decision will state the reason(s) why the Claim was denied and refer to the pertinent Plan provision(s). If the Claim was denied because you did not file a complete Claim or because the Administrator needed additional information, the Claims decision will state that as the reason for denying the Claim and will explain why such information was necessary.

APPEALING THE INITIAL DETERMINATION

If the applicable Administrator has denied your *Claim for Plan Benefits* or *Claim for Eligibility Determination*, you may appeal the decision. If you appeal the Administrator's decision, you must do so in writing within 60 days of receipt of the Administrator's determination, assuming that there are no extenuating circumstances, as determined by the applicable Administrator. Your written appeal must include the following information:

- Name of Employee
- Name of Dependent or beneficiary, if the Dependent or beneficiary is the person who is appealing the Administrator's decision
- Name of the benefit Plan
- Reference to the Initial Determination
- Explain reason why you are appealing the Initial Determination

Send appeals of *Eligibility Determinations* to:

Director of Global Benefits
The Dow Chemical Company
2020 Dow Center
Midland, MI 48674

Attention: Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries. (Appeal of Eligibility Determination)

Send appeals of benefit denials to:

Metropolitan Life Insurance Company
Group Life Claims
Oneida County Industrial Park
Utica, NY 13504-6115

Attention: Claims Administrator for the life insurance plans of The Dow Chemical Company and certain of its subsidiaries. (Appellate Review)

You may submit any additional information to the applicable Administrator when you submit your request for appeal. You may also request that the Administrator provide you copies of documents, records and other information that is relevant to your Claim, as determined by the applicable Administrator under applicable federal regulations. Your request must be in writing. Such information will be provided at no cost to you.

After the applicable Administrator receives your written request to appeal the initial determination, the Administrator will review your Claim. Deference will not be given to the initial adverse decision, and the appellate reviewer will look at the Claim anew. The person who will review your appeal will not be the same person as the person who made the initial decision to deny the Claim. In addition, the person who is reviewing the appeal will not be a subordinate who reports to the person who made the initial decision to deny the Claim. The Administrator will notify you in writing of its final decision. Such notification will be provided within a reasonable period, not to exceed 60 days of the written request for appellate review, except that under special circumstances, the Administrator may have up to an additional 60 days to provide written notification of the final decision. If the Administrator needs such an extension, it will notify you prior to the expiration of the initial 60 day period, state the reason why such an extension is needed, and indicate when it will make its determination. If the Administrator determines that it does not have sufficient information to make a decision on the Claim prior to the expiration of the initial 60 day period, it will notify you. It will describe any additional material or information necessary to submit to the Plan, and provide you with the deadline for submitting such information. The initial 60 day time period for the Administrator to make a final written decision, plus the 60 day extension period (if applicable) are tolled from the date the notification of insufficiency is sent to you until the date on which it receives your response. ("Tolled" means the "clock or time is stopped or suspended". In other words, the deadline for the Administrator to make its decision is "put on hold" until it receives the requested information). The tolling period ends when the Administrator receives your response, regardless of the adequacy of your response.

If the Administrator has determined that its final decision is to deny your Claim, the written notification of the decision will state the reason(s) for the denial and refer to the pertinent Plan provision(s).

**The Dow Chemical Company
Elective Deferral Plan
Effective for Deferrals after January 1, 2005**

ARTICLE I

PURPOSE AND EFFECTIVE DATE

The purpose of The Dow Chemical Company Elective Deferral Plan ("Plan") is to aid The Dow Chemical Company and its subsidiaries in retaining and attracting executive employees by providing them with tax deferred savings opportunities. The Plan provides a select group of management and highly compensated employees, within the meaning of Sections 201(2), 301(a)3 and 401(a)(1) of the Employee Retirement Income Security Act of 1974, as amended (ERISA) and therefore exempt from Parts 2, 3, and 4 of Title I of ERISA, of The Dow Chemical Company and certain subsidiaries with the opportunity to elect to defer receipt of specified portions of compensation, and to have these deferred amounts treated as if invested in specified Hypothetical Investment Benchmarks. The Plan shall be effective for deferrals made hereunder on or after January 1, 2005, and is intended to comply with the provisions of Section 409A of the Internal Revenue Code. The benefits provided under the Plan shall be provided in consideration for services to be performed after the effective date of the Plan, but prior to the executive's Separation from Service.

Amendments were made to the Plan on January 10, 2005 and March 11, 2005 to further comply with the provisions of Section 409A of the Internal Revenue Code, and a minor amendment was made to the Plan on January 23, 2006.

ARTICLE II

DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

Section 2.01 Administrator. "Administrator" means the Retirement Board appointed under the Dow Employees' Pension Plan.

Section 2.02 Base Salary. "Base Salary" means the annual base rate of pay from the Company at which a Participant is employed (excluding Performance Awards, commissions, relocation expenses, and other non-regular forms of compensation) before deductions under (A) deferrals pursuant to Section 4.02 and (B) contributions made on his or her behalf to any qualified plan maintained by any Company or to any cafeteria plan under Section 125 of the Internal Revenue Code maintained by any Company.

Section 2.03 Base Salary Deferral. "Base Salary Deferral" means the amount of a Participant's Base Salary which the Participant elects to have withheld on a pre-tax basis from his Base Salary and credited to his or her Deferral Account pursuant to Section 4.02.

Section 2.04 Beneficiary. "Beneficiary" means the person, persons or entity designated by the Participant to receive any benefits payable under the Plan pursuant to Article VIII.

Section 2.05 Board. "Board" means the Board of Directors of The Dow Chemical Company.

Section 2.06 Change of Control. For purposes of this Plan, a "Change of Control" shall be deemed to have occurred on:

(a) the date that any one person, or more than one person acting as a group acquires, ownership of stock of The Dow Chemical Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock The Dow Chemical Company,

(b) the date that a majority of the members of the Board of Directors of The Dow Chemical Company is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the directors before the date of the appointment or election,

(c) the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of The Dow Chemical Company possessing 35% or more of the total voting power of the stock of such corporation, or

(d) the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from The Dow Chemical Company that has a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of The Dow Chemical Company immediately before such acquisition or acquisitions, provided that the following asset transfers shall not result in a Change of Control: (i) a transfer of assets to a stockholder of The Dow Chemical Company in exchange for or with respect to its stock, (ii) a transfer to a corporation, 50% or more of the total value or voting power of which is owned, directly or indirectly, by The Dow Chemical Company, (iii) a transfer to a person, or more than one person acting as a group, that owns 50% or more of the stock of The Dow Chemical Company or (iv) a transfer to an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a person described in clause (iii).

This definition of "Change of Control" is intended to conform to the definition of a "change in ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined under Section 409A of the Internal Revenue Code pursuant to Internal Revenue Service Notice 2005-1 and any subsequent authority issued pursuant to Section 409A of the Internal Revenue Code, and no corporate event shall be considered a Change of Control unless it meets such requirements.

Section 2.07 Common Stock. "Common Stock" means the common stock of The Dow Chemical Company.

Section 2.08 Company. "Company" means The Dow Chemical Company, its successors, any subsidiary or affiliated organizations authorized by the Board or the Administrator to participate in the Plan and any organization into which or with which The Dow Chemical Company may merge or consolidate or to which all or substantially all of its assets may be transferred.

Section 2.09 Deferral Account. "Deferral Account" means the notional account established for record keeping purposes for each Participant pursuant to Article VI.

Section 2.10 Deferral Period. "Deferral Period" is defined in Section 4.02.

Section 2.11 Deferred Amount. "Deferred Amount" is defined in Section 4.02.

Section 2.12 Designee. "Designee" shall mean The Dow Chemical Company's Global Compensation & Benefits Department to whom the Administrator has delegated the authority to take action under the Plan.

Section 2.13 Disability. "Disability" means a Participant who is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or is (ii) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering employees of the Company. The Administrator, in its complete and sole discretion, shall determine a Participant's Disability. The Administrator may require that the Participant submit to an examination on an annual basis, at the expense of the Company at which such Participant was employed, by a competent physician or medical clinic selected by the Administrator to confirm Disability. On the basis of such medical evidence, the determination of the Administrator as to whether or not a condition of Disability exists or continues shall be conclusive.

Section 2.14 Eligible Compensation. "Eligible Compensation" means any Base Salary, Performance Awards or Other Bonuses and any other monies deemed to be eligible compensation by The Dow Chemical Company.

Section 2.15 Eligible Employee. "Eligible Employee" means an employee of any Company who: (i) is a United States employee or an expatriate who is paid from one of The Dow Chemical Company's U.S. entities, (ii) is a member of the functional specialist/functional leader or global leadership job families, (iii) has a job level of L2 or higher, (iv) is eligible for participation in the Savings Plan, (v) is designated by the Administrator as eligible to participate in the Plan as of September 30 for deferral of Base Salary and Performance Awards, and (vi) qualifies as a member of the "select group of management or highly compensated employees" under ERISA. For purposes of Section 7.15, Discretionary Company Contributions, only, "Eligible Employee" also means an employee who: (i) is a United States employee, (ii) has terminated employment with a foreign affiliate of the Company and has accepted employment with one of the Company's U.S. entities, (iii) is eligible for a signing bonus from one of the Company's U.S. entities, (iv) has a job level of AP5 or higher, (v) is eligible for participation in the Savings Plan and (vi) qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

Section 2.16 ERISA. "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Section 2.17 Fair Market Value. "Fair Market Value" of a share of Common Stock means the closing price of The Dow Chemical Company's Common Stock on the New York Stock Exchange on the most recent day on which the Common Stock was so traded that precedes the date the Fair Market Value is to be determined. The definition of Fair Market Value in this Section shall be exclusively used to determine the values of a Participant's interest in The Dow Chemical Company Stock Index Fund (defined in Section 6.02(b)) for all relevant purposes under the Plan.

Section 2.18 Form of Payment. "Form of Payment" means payment in one lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years.

Section 2.19 Hardship Withdrawal. "Hardship Withdrawal" means the early payment of all or part of the balance in a Deferral Account(s) in the event of an Unforeseeable Emergency.

Section 2.20 Hypothetical Investment Benchmark. "Hypothetical Investment Benchmark" shall mean the phantom investment benchmarks which are used to measure the return credited to a Participant's Deferral Account.

Section 2.21 Key Employee. Key employee means an employee of any Company within the meaning of Section 416(i) of the Internal Revenue Code, without regard to paragraph (5) thereof. Unless otherwise determined by the Administrator, for purposes of the preceding, an employee of any Company who meets the following requirements is a Key Employee: (i) the employee is a United States employee or an expatriate who is paid from one of The Dow Chemical Company's U.S. entities, (ii) the employee is a member of the global leadership job family, (iii) the employee has a job level of V5 or higher, (iv) the employee is eligible for participating in the Savings Plan, (v) the employee is designated by the Administrator as eligible to participate in the Plan as of September 30 for deferral of Base Salary and Performance Awards, and (vi) the employee qualifies as a member of the "select group of management or highly compensated employees" under ERISA.

Section 2.22 Matching Contribution. "Matching Contribution" means the amount of annual matching contribution that each Company will make to the Plan.

Section 2.23 Other Bonus. "Other Bonus" means the amount awarded to a Participant for a Plan Year under any other incentive plan maintained by any Company that has been established and authorized as eligible for deferral.

Section 2.24 Other Deferral. "Other Deferral" means the amount of a Participant's Other Bonus which the Participant elects to have withheld on a pre-tax basis credited to his or her account pursuant to Section 4.02.

Section 2.25 Participant. "Participant" means any individual who is eligible and makes an election to participate in this Plan by filing a Participation Agreement as provided in Article IV.

Section 2.26 Participation Agreement. "Participation Agreement" means an agreement filed by a Participant in accordance with Article IV.

Section 2.27 Performance Awards. "Performance Awards" means the amount paid in cash to the Participant by any Company in the form of annual incentive bonuses for a Plan Year.

Section 2.28 Performance Deferral. "Performance Deferral" means the amount of a Participant's Performance Award which the Participant elects to have withheld on a pre-tax basis from his or her Performance Award and credited to his or her account pursuant to Section 4.02.

Section 2.29 Phantom Share Units. "Phantom Share Units" means units of deemed investment in shares of The Dow Chemical Company Common Stock so determined under Section 6.02(b).

Section 2.30 Plan Year. "Plan Year" means a twelve-month period beginning January 1 and ending the following December 31.

Section 2.31 Retirement. "Retirement" means normal or early retirement of a Participant from the Companies after attaining age 65 or age 50 with at least ten years of service under the Dow Employees' Pension Plan or any other defined benefit pension plan maintained by a Company under which a Participant is eligible to receive a benefit.

Section 2.32 Retirement Board. "Retirement Board" means the general administrator of the Plan appointed under the Dow Employees' Pension Plan.

Section 2.33 Savings Plan. "Savings Plan" means The Dow Chemical Company Employees' Savings Plan as it currently exists and as it may subsequently be amended.

Section 2.34 Section 16 Participant. "Section 16 Participant" means an officer or director of The Dow Chemical Company required to report transactions in The Dow Chemical Company securities to the Securities and Exchange Commission pursuant to Section 16(a) of the Securities Exchange Act of 1934.

Section 2.35 Separation from Service. "Separation from Service" means the cessation of a Participant's services as an employee of the Companies, whether voluntary or involuntary, for any reason other than Retirement, or Disability or death, determined consistent with guidance issued by the Department of the Treasury regarding what constitutes a "separation from service" under Section 409A of the Internal Revenue Code.

Section 2.36 Unforeseeable Emergency. "Unforeseeable Emergency" means severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, or a dependent (as defined in Section 152 of the Internal Revenue Code) of the Participant, loss of the Participant's property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant as determined by the Administrator. The amount of the distribution may not exceed the amounts necessary to satisfy such emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship).

Section 2.37 Valuation Date. "Valuation Date" means the last day of each calendar month or such other date as the Administrator in its sole discretion may determine.

ARTICLE III

ADMINISTRATION

Section 3.01 Administrator Duties. This Plan shall be administered by the Retirement Board. The Retirement Board shall consist of not less than three members who may, but need not, be employed by any Company. Each person appointed to the Retirement Board shall signify acceptance of his or her position and may resign by delivery of a written notice to The Dow Chemical Company. The Dow Chemical Company may remove any member at its pleasure by delivery of a written notice to the member. In the event of any vacancy in membership, The Dow Chemical Company shall (or, if at least three members are then serving, may in its discretion) appoint a successor to fill the vacancy in office; provided, however, that the Retirement Board may exercise its full authority and discretion notwithstanding the existence of any vacancy. Members shall serve without compensation for their services. The Retirement Board shall act by a majority of its members by vote at a meeting or by unanimous consent in writing. If all members of the Retirement Board are not available, a quorum, consisting of three (3) members of the Retirement Board, may act by a majority of the quorum. It may authorize

one or more of its members to execute documents in its behalf. Any person, upon written notification of the authorization, shall accept and rely upon that authorization until notified in writing that the Retirement Board has revoked the authorization. The Retirement Board shall appoint a secretary (who may or may not be a Retirement Board member) to keep all minutes of its meetings and to receive and deliver all notices. The secretary shall record and, where appropriate, communicate to all persons affected all delegations made by the Retirement Board of its responsibilities, any rules and procedures adopted by the Retirement Board and all other formal actions taken by the Retirement Board. No member of the Retirement Board shall vote or act on any matter relating solely to him/herself. The Administrator may participate in a meeting of such committee by means of a conference telephone or similar communications equipment that enables all persons participating in the meeting to hear each other, and such participation in a meeting shall constitute presence in person at the meeting and waiver of notice of such meeting.

The Administrator shall be responsible for the administration of this Plan and shall have all powers necessary to administer this Plan, including discretionary authority to determine eligibility for benefits and to decide claims under the terms of this Plan, except to the extent that any such powers that are specially vested in any other person administering this Plan by the Administrator. The Administrator may from time to time establish rules for the administration of this Plan, and it shall have the exclusive right to interpret this Plan and to decide any matters arising in connection with the administration and operation of this Plan. All rules, interpretations and decisions of the Administrator shall be conclusive and binding on any Company, Participants and Beneficiaries.

The Administrator has delegated to The Dow Chemical Company's Global Compensation & Benefits Department responsibility for performing certain administrative and ministerial functions under this Plan. The Designee shall be responsible for determining in the first instance issues related to eligibility, Hypothetical Investment Benchmarks, distribution of Deferred Amounts, determination of account balances, crediting of hypothetical earnings and debiting of hypothetical losses and of distributions, withdrawals, deferral elections and any other duties concerning the day-to-day operation of this Plan. The Administrator shall have discretion to delegate such additional duties as it may determine. The Designee may retain and supervise outside providers, third party administrators, record keepers and professionals (including in-house professionals) to perform any or all of the duties delegated to it hereunder.

Neither The Dow Chemical Company, any other Company, a member of the Board, a member of the Retirement Board nor any Designee shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of this Plan have been delegated or for anything done or omitted to be done in connection with this Plan.

The Dow Chemical Company shall, to the fullest extent permitted by law, indemnify each director, officer or employee of The Dow Chemical Company (including the heirs, executors, administrators and other personal representatives of such person), each member of the Retirement Board and any Designee against expenses (including attorneys' fees), judgments, fines, amounts paid in settlement, actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, criminal, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he or she is or was serving this Plan in any capacity at the request of The Dow Chemical Company, the Administrator or Designee.

Any expense incurred by The Dow Chemical Company or the Administrator relative to the administration of this Plan shall be paid by The Dow Chemical Company and/or may be deducted from the Deferral Accounts of the Participants as determined by the Administrator or Designee.

Section 3.02 Claim Procedure. If a Participant or Beneficiary ("claimant") makes a written request alleging a right to receive payments under this Plan or alleging a right to receive an adjustment in benefits being paid under this Plan, such actions shall be treated as a claim for benefits. Benefits under this Plan shall be payable only if the Designee or the Administrator, as the case may be, determines, in its sole discretion, that a claimant is entitled to them.

(a) All initial claims for benefits under this Plan shall be sent to the Designee. If the Designee determines that any individual who has claimed a right to receive benefits, or different benefits, under this Plan is not entitled to receive all or any part of the benefits claimed, the Designee shall inform the claimant in writing of such determination and the reasons therefor in terms calculated to be understood by the claimant. The notice shall be sent within 90 days of receipt of the claim unless the Designee determines that additional time, not exceeding 90 additional days, is needed and so notifies the claimant in writing before the expiration of the initial 90 day period. Any written notice of extension for review shall include the circumstances requiring extension and date by which a decision is expected to be rendered. A written notice of denial of

benefits shall (1) state specific reasons for the denial, (2) make specific reference to the pertinent Plan provisions on which the denial is based, (3) describe any additional material or information that is necessary to support the claimant's claim and an explanation of why such material or information is necessary, and (4) include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of all documents, records or other information relevant (as defined by Department of Labor Regulation Section 2560.503-1(m)) to the claim. Such notice shall, in addition, inform the claimant of the procedure that the claimant should follow to take advantage of the review procedures set forth below in the event the claimant desires to contest the denial of the claim, including the right to bring a civil action under Section 502(a) of ERISA following exhaustion of review procedures set forth herein.

(b) The claimant may within 60 days after notice of the denial submit, in writing, to the Administrator a notice that the claimant contests the denial of his or her claim and desires a further review by the Administrator. During the review process, the claimant has the right to submit written comments, documents, records and other information relating to the claim for benefits, which the Administrator shall consider without regard to whether the items were considered upon the initial review. The Administrator shall within 60 days thereafter review the claim and authorize the claimant to, upon request and free of charge, have reasonable access to, and copies of all documents, records or other information relevant (as defined by Department of Labor Regulation Section 2560.503-1(m)) to the claim. The Administrator will render a final decision on behalf of The Dow Chemical Company with specific reasons therefor in writing and will transmit it to the claimant within 60 days of the written request for review, unless the Administrator determines that additional time, not exceeding 60 days, is needed, and so notifies the claimant in writing before the expiration of the initial 60 day period. Any written notice of extension for review shall include the circumstances requiring extension and date by which a decision is expected to be rendered. A written notice of denial of benefits upon review shall (1) state specific reasons for the denial, (2) make specific reference to the pertinent Plan provisions on which the denial is based, and (3) include a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of all documents, records or other information relevant (as defined by Department of Labor Regulation Section 2560.503-1(m)) to the claim. Such notice shall, in addition, inform the claimant of the right to bring a civil action under Section 502(a) of ERISA. If such determination is adverse to the claimant, it shall be binding and conclusive unless the claimant notifies the Administrator within 90 days after the mailing or delivery to him or her by the Administrator of its determination that he or she intends to institute legal proceedings challenging the determination of the Administrator, and actually institutes such legal proceeding within 180 days after such mailing or delivery.

ARTICLE IV

PARTICIPATION

Section 4.01 Participation. Participation in the Plan shall be limited to Eligible Employees who elect to participate in this Plan by filing a Participation Agreement with the Administrator. A Participation Agreement must be filed on or prior to the November 30 (Eastern Standard Time) immediately preceding the Plan Year in which the Eligible Compensation to which the Participation Agreement relates is earned. The Administrator shall have the discretion to establish special deadlines regarding the filing of Participation Agreements for Participants. Notwithstanding the foregoing, the Administrator, in its sole discretion, may permit a newly eligible Participant to submit a Participation Agreement within 30 days after that employee becomes eligible, and deferrals shall commence as soon as practical thereafter for Eligible Compensation earned after the Administrator receives a completed and timely submitted Participation Agreement. An individual shall not be eligible to elect to participate in this Plan unless the individual is a Participant for the Plan Year for which the election is made. In the event a Participant transfers to a subsidiary of any Company and such subsidiary does not participate in the Plan, the Participant's Deferred Amount shall cease, and the Participant's Deferral Account shall remain in effect until such time as the benefits are distributed as originally elected by the Participant in the Participation Agreement or in accordance with the terms and conditions of the Plan.

Section 4.02 Contents of Participation Agreement. Subject to Article VII, each Participation Agreement shall set forth: (i) the amount of Eligible Compensation for the Plan Year or performance period to which the Participation Agreement relates that is to be deferred under the Plan (the "Deferred Amount"), expressed as either a dollar amount or a percentage of the Base Salary and Performance Awards for such Plan Year or performance period; provided, that the minimum Deferred Amount for any Plan Year or performance period shall not be less than 5% (in 5% increments) of Base Salary and/or 5% (in 5% increments) of Performance Award/Other Bonus; (ii) the maximum Deferred Amount for any Plan Year or performance period shall not exceed 50% of Base Salary and 85% of Performance Award/Other Bonus; (iii) the period after which payment of the Deferred Amount is to be made or begin to be made (the "Deferral Period"), which shall be

(A) a specific future year, not greater than the year the Participant reaches age 70 ½ or (B) the period ending upon Separation from Service of the Participant; and (iv) the form in which payments are to be made, which may be a lump sum or in substantially equal monthly, quarterly or annual installments not to exceed 15 years. Participation Agreements are to be completed in a format specified by the Administrator.

Section 4.03 Modification or Revocation of Election by Participant. A Participant may not change the amount of his or her Deferred Amount during a Plan Year. A Participant's Participation Agreement may not be made, modified or revoked retroactively, except for the 2004 Performance Award can be revoked. For deferrals to occur from Performance Awards, the Participant must be actively employed or an eligible Retiree.

ARTICLE V

DEFERRED COMPENSATION

Section 5.01 Elective Deferred Compensation. Except for Section 16 Participants, the Deferred Amount of a Participant with respect to each Plan Year of participation in the Plan shall be credited to the Participant's Deferral Account as and when such Deferred Amount would otherwise have been paid to the Participant. For Section 16 Participants who elect to direct their Deferred Amount to the Hypothetical Investment Benchmark of The Dow Chemical Company Stock Index Fund only, the Deferred Amount of that Participant with respect to each Plan Year of participation shall be credited to the Participant's Deferral Account in the Hypothetical Investment Benchmark of 125% of Ten Year Treasury Notes as and when such Deferred Amount would otherwise have been paid to the Participant; on a quarterly basis (on the last business day of the months of March, June, September and December), such Deferred Amount shall be reallocated to the Hypothetical Investment Benchmark of The Dow Chemical Company Stock Index Fund. If a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay or transfer the Deferred Amounts for all such Company's Participants to The Dow Chemical Company as and when the Deferred Amounts are withheld from a Participant's Base Salary, Performance Award or Other Bonus. Such forwarded Deferred Amounts will be held as part of the general assets of The Dow Chemical Company. The earnings based on a Participant's investment selection among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Administrator from time to time, shall be borne by The Dow Chemical Company. To the extent that any Company is required to withhold any taxes or other amounts from the Deferred Amount pursuant to any state, Federal or local law, such amounts shall be taken out of other compensation eligible to be paid to the Participant that is not deferred under this Plan.

Section 5.02 Vesting of Deferral Account. Except as provided in Sections 7.05 and 7.15, a Participant shall be 100% vested in his or her Deferral Account as of each Valuation Date.

ARTICLE VI

MAINTENANCE AND INVESTMENT OF ACCOUNTS

Section 6.01 Maintenance of Accounts. Separate Deferral Accounts shall be maintained for each Participant. More than one Deferral Account may be maintained for a Participant as necessary to reflect (a) various Hypothetical Investment Benchmarks and/or (b) separate Participation Agreements specifying different Deferral Periods and/or forms of payment. A Participant's Deferral Account(s) shall be utilized solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan, and shall not constitute or be treated as a trust fund of any kind. The Administrator shall determine the balance of each Deferral Account, as of each Valuation Date, by adjusting the balance of such Deferral Account as of the immediately preceding Valuation Date to reflect changes in the value of the deemed investments thereof, credits and debits pursuant to Section 6.02 and Section 7.05 and distributions pursuant to Article VII with respect to such Deferral Account since the preceding Valuation Date.

Section 6.02 Hypothetical Investment Benchmarks. (a) Each Participant shall be entitled to direct the manner in which his or her Deferral Accounts will be deemed to be invested, selecting among the Hypothetical Investment Benchmarks specified in Appendix A hereto, as amended by the Administrator from time to time, and in accordance with such rules, regulations and procedures as the Administrator may establish from time to time. Notwithstanding anything to the contrary herein, earnings and losses based on a Participant's investment elections shall begin to accrue as of the date such Participant's Deferred Amounts are credited to his or her Deferral Accounts. Participants, except for Section 16 Participants,

can reallocate among the Hypothetical Investment Benchmarks on a daily basis. Section 16 Participants can reallocate among the Hypothetical Investment Benchmarks in accordance with such rules, regulations and procedures as the Administrator may establish from time to time.

(b) (i) The Hypothetical Investment Benchmarks available for Deferral Accounts will include "The Dow Chemical Company Stock Index Fund." The Dow Chemical Company Stock Index Fund will consist of deemed investments in shares of The Dow Chemical Company Common Stock including reinvestment of dividends, stock splits and without brokerage fees. Deferred Amounts that are deemed to be invested in The Dow Chemical Company Stock Index Fund shall be converted into Phantom Share Units based upon the Fair Market Value of the Common Stock as of the date(s) the Deferred Amounts are to be credited to a Deferral Account. The portion of any Deferral Account that is invested in The Dow Chemical Company Stock Index Fund shall be credited, as of each dividend payment date, with additional Phantom Share Units of Common Stock with respect to cash dividends paid on the Common Stock with record dates during the period beginning on the day after the most recent preceding Valuation Date and ending on such Valuation Date.

(ii) When a reallocation or a distribution of all or a portion of a Deferral Account that is invested in The Dow Chemical Company Stock Index Fund is to be made, the balance in such a Deferral Account shall be determined by multiplying the Fair Market Value of one share of Common Stock on the most recent Valuation Date preceding the date of such reallocation or distribution by the number of Phantom Share Units to be reallocated or distributed. Upon a distribution, the amounts in The Dow Chemical Company Stock Index Fund shall be distributed in the form of cash having a value equal to the Fair Market Value of a comparable number of actual shares of Common Stock.

(iii) In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, or other change in the corporate structure of The Dow Chemical Company affecting Common Stock, or a sale by The Dow Chemical Company of all or part of its assets, or any distribution to stockholders other than a normal cash dividend, then the Administrator may make appropriate adjustments to the number of deemed shares credited to any Deferral Account. The determination of the Administrator as to such adjustments, if any, to be made shall be conclusive.

(iv) Notwithstanding any other provision of this Plan, the Administrator shall adopt such procedures as it may determine are necessary to ensure that with respect to any Participant who is actually or potentially subject to Section 16(b) of the Securities Exchange Act of 1934, as amended, the crediting of deemed shares to his or her Deferral Account is deemed to be an exempt purchase for purposes of such Section 16(b), including without limitation requiring that no shares of Common Stock or cash relating to such deemed shares may be distributed for six months after being credited to such Deferral Account.

Section 6.03 **Statement of Accounts.** Each Participant shall be issued quarterly statements of his or her Deferral Account(s) in such form as the Administrator deems desirable, setting forth the balance to the credit of such Participant in his or her Deferral Account(s) as of the end of the most recently completed quarter.

ARTICLE VII

BENEFITS

Section 7.01 **Time and Form of Payment.** Except as otherwise provided in this Article, at the end of the Deferral Period for each Deferral Account, The Dow Chemical Company shall pay to the Participant the balance of such Deferral Account at the time or times elected by the Participant in the applicable Participation Agreement. If the Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay the balance of such Participant's Deferral Account, pursuant to the terms of the Plan, and The Dow Chemical Company shall reimburse such Company for any such payments.

(a) If the Participant has elected to receive payments from a Deferral Account in a lump sum and payment is made upon Separation from Service after becoming Retirement eligible, The Dow Chemical Company (or any other Company as described above) shall pay the balance in such Deferral Account (determined as of the most recent Valuation Date preceding the end of the Deferral Period) in cash on the January 31st after the end of the Deferral Period, and/or as soon as administratively feasible in the year of the payment of the Performance Award for the Performance Award deferral.

(b) If the Participant has elected to receive payments from a Deferral Account in installments and payment is made upon Separation from Service after becoming Retirement eligible, The Dow Chemical Company (or any other Company

as described above) shall make cash only payments from such Deferral Account, each of which annual amount shall consist of an amount equal to (i) the balance of such Deferral Account as of the most recent annual Valuation Date preceding the first annual payment date times (ii) a fraction, the numerator of which is one and the denominator of which is the number of remaining installment years (including the installment being paid). The first such installment shall be paid on the January 31st after the end of the Deferral Period and/or as soon as administratively feasible in the year of the payment of the Performance Award for the Performance Award deferral, and each subsequent installment shall be paid on or about the anniversary of such first payment or in quarterly or monthly intervals, if selected. Each such installment shall be deemed to be made on a pro rata basis from each of the different deemed investments of the Deferral Account (if there is more than one such deemed investment).

(c) If the Participant incurs a Separation from Service before becoming Retirement eligible, section 7.11 shall apply.

Notwithstanding any of the foregoing: (i) for Key Employees, distributions may not be made before the date which is 6 months after the date of Separation from Service, and (ii) Deferral Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.02 Changing Form of Benefit. Participants may elect an alternative form of payout as available under Section 7.01 by written election filed with the Administrator; provided, however, that the Participant files the election at least twelve (12) months prior to the first day of the month in which payments are to commence. If a Participant changes his/her form of payout from a lump sum to installments, the first installment date cannot occur earlier than five years after the date on which the lump sum was scheduled to be made. A Participant cannot reduce the overall length of the installment period (e.g., from 15 years to 10 years) nor can a Participant increase the frequency of installment payments (e.g., from annual to quarterly or monthly payments). A Participant cannot change his form of election from installments to a lump sum.

Section 7.03 Changing Form of Benefit to Delay Distribution. Participants may elect to delay their form of payout as available under Section 7.01 as long as the first payment with respect to which such election is made must be deferred for a period of not less than 5 years from the date such payment otherwise would have been made. If the distribution date is set at Retirement, then the delay must be a minimum of 5 years beyond the year the Participant could Retire as defined in Section 2.31.

Section 7.04 Changing Form of Benefit to Accelerate Distribution. Acceleration of the distribution timing is only allowed for death, Disability, Unforeseeable Emergency or limited circumstances in accordance with governmental regulations.

Section 7.05 Matching Contribution. Each Participant who elects to make deferrals of Eligible Compensation to the Plan will be credited with a Matching Contribution utilizing the same formula authorized under the Savings Plan for employer matching contributions. For purposes of calculating the match under this Plan, The Dow Chemical Company will assume each Participant is contributing the maximum allowable amount to the Savings Plan and receiving a match thereon. This assumed match from the Savings Plan will be offset from the Matching Contribution calculated under provisions of the Plan. Notwithstanding the foregoing, the sum of the Matching Contribution under the Plan plus the assumed employer matching contributions under the Savings Plan may not exceed fifteen thousand dollars (\$15,000) in each Plan Year. The amount of the Matching Contribution may be based on a formula that takes into account a Participant's overall compensation and may be subject to maximum or minimum limitations. The Matching Contribution shall be credited to the Deferral Account as soon as administratively feasible within the first 60 days of the following Plan Year. The Matching Contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the Base Salary deferrals of the Participant. The Matching Contribution shall be distributed to the Participant according to the election made by the Participant governing his or her Base Salary deferrals and will vest one hundred percent (100%) on the date credited to the Participant's account.

If a Participant is employed by a Company, other than The Dow Chemical Company, an amount equal to all Matching Contributions credited to Participants of such Company shall be paid or transferred in full by such Company to The Dow Chemical Company as of the date such Matching Contribution is credited to a Participant's Deferral Account. The Dow Chemical Company shall hold such amounts as part of the general assets of The Dow Chemical Company.

Section 7.06 Retirement. Subject to Section 7.01 and Section 7.12 hereof, if a Participant has elected to have the balance of his or her Deferral Account distributed upon Retirement, which is a Separation from Service but the Participant is Retirement eligible (or after a specific future year after Retirement), the account balance of the Participant (determined as of

the most recent Valuation Date preceding the end of the Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any of the foregoing, Deferral Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.07 Distributions after Specific Future Year. Subject to Section 7.01 and Section 7.12 hereof, if a Participant has elected to defer Eligible Compensation under the Plan until a stated future year, the account balance of the Participant (determined as of the most recent Valuation Date preceding such Deferral Period) shall be distributed in installments or a lump sum in accordance with the Plan and as elected in the Participation Agreement. Notwithstanding any of the foregoing, Deferral Account distributions must begin no later than the April 1st after the calendar year in which the Participant reaches age 70 ½.

Section 7.08 Pre-Retirement Survivor Benefit. If a Participant dies prior to Retirement and prior to receiving full payment of his or her Deferral Account(s), The Dow Chemical Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum. If a Participant was employed at a Company other than The Dow Chemical Company, such Company shall pay the remaining balance of such deceased Participant's Deferral Account in accordance with the preceding sentence, and The Dow Chemical Company shall reimburse the Company for such payment.

Section 7.09 Post-Retirement Survivor Benefit. If a Participant dies after Retirement and prior to receiving full payment of his or her Deferral Account(s), The Dow Chemical Company shall pay the remaining balance (determined as of the most recent Valuation Date preceding such event) to the Participant's Beneficiary or Beneficiaries (as the case may be) in a lump sum. If a Participant was employed at a Company other than The Dow Chemical Company, such Company shall pay the remaining balance of such deceased Participant's Deferral Account in accordance with the preceding sentence, and The Dow Chemical Company shall reimburse such Company for such payments.

Section 7.10 Disability. If a Participant suffers a Disability, the Participant's Deferred Amount shall cease, and The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay the benefit described in section 7.01 as a lump sum.

Section 7.11 Separation from Service. In the event of Separation from Service which takes place prior to eligibility for Retirement, The Dow Chemical Company (or, a Company other than The Dow Chemical Company, if the Participant is employed at a Company other than The Dow Chemical Company, subject to reimbursement by The Dow Chemical Company) shall pay the benefits described in section 7.01 in a single lump sum payment as soon as practicable after the Separation from Service.

Section 7.12 Small Benefit Election. Notwithstanding any of the foregoing, in the event the sum of all benefits payable to the Participant or Beneficiary(ies) is less than or equal to ten thousand dollars (\$10,000), the Administrator shall pay such benefits in a single lump sum. The Administrator shall also change monthly payments so they are at least three hundred dollars (\$300) by reducing the number of monthly installments.

Section 7.13 Hardship Withdrawals. Notwithstanding the provisions of Section 7.01 and any Participation Agreement, a Participant's on-going Deferred Amount shall cease and a Participant shall be entitled to early payment of all or part of the balance in his or her Deferral Account(s) in the event of an Unforeseeable Emergency, in accordance with this Section 7.13. A distribution pursuant to this Section 7.13 may only be made to the extent reasonably needed to satisfy the Unforeseeable Emergency need, and may not be made if such need is or may be relieved (i) through reimbursement or compensation by insurance or otherwise, (ii) by liquidation of the Participant's assets to the extent such liquidation would not itself cause severe financial hardship, or (iii) by cessation of participation in the Plan. An application for an early payment under this Section 7.13 shall be made to the Administrator in such form and in accordance with such procedures as the Administrator shall determine from time to time. The determination of whether and in what amount and form a distribution will be permitted pursuant to this Section 7.13 shall be made by the Administrator.

Section 7.14 Change of Control. An Eligible Employee may, when completing a Participation Agreement during the enrollment period, elect that, if a Change of Control occurs, the Participant (or after the Participant's death the Participant's Beneficiary) shall receive a lump sum payment of the balance of the Deferral Account within thirty (30) days after the Change of Control. This election is irrevocable and shall apply to the Eligible Compensation deferred under such Participation Agreement. The portion of the Deferral Account balance to be paid upon a Change in Control shall be

determined as of the most recent Valuation Date preceding the month in which Change of Control occurs. All Participation Agreements previously filed by a Participant who receives a distribution under this Section 7.14 shall be null and void to the extent such Participation Agreement provides for a distribution upon a Change in Control. All other Participant Agreements shall continue in effect. Nothing in this Section 7.14 shall be interpreted or construed to permit a lump sum payment of Deferred Amounts if an election under this Section 7.14 results in an acceleration of a distribution prohibited by Section 409A of the Internal Revenue Code or any regulations or guidance issued thereunder.

Section 7.15 Discretionary Company Contributions. Any Company may at any time contribute a discretionary Company contribution. This discretionary Company contribution may be for payments including, but not limited to, signing or retention bonuses. The amount of the discretionary Company contribution may vary from payroll period to payroll period throughout the Plan Year, may be based on a formula which takes into account a Participant's overall compensation, and otherwise may be subject to maximum or minimum limitations. The discretionary Company contribution shall be credited to the Deferral Account as soon as administratively feasible following the end of the payroll period. The discretionary contribution shall be invested among the same Hypothetical Investment Benchmarks as defined in 6.02 in the same proportion as the elections made by the Participant governing the deferrals of the Participant. The discretionary contribution shall be distributed to the Participant according to the election made by the Participant governing his or her deferrals for the Plan Year in which the discretionary Company contribution is made, or if none, the most recent valid Participation Agreement on file for the Participant. The vesting schedule shall be determined by the Administrator at the time the discretionary Company contribution is made.

If a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay or transfer to The Dow Chemical Company any amounts designated as discretionary Company contributions for all such Participants as of the date such discretionary Company contributions are credited to a Participant's Deferral Account. The Dow Chemical Company shall hold such amounts as part of the general assets of The Dow Chemical Company.

Section 7.16 Withholding of Taxes. Notwithstanding any other provision of this Plan, any Company shall withhold from payments made hereunder any amounts required to be so withheld by any applicable law or regulation.

ARTICLE VIII

BENEFICIARY DESIGNATION

Section 8.01 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person, persons or entity as his or her Beneficiary or Beneficiaries. A Beneficiary designation shall be made, and may be amended, by the Participant by filing a written designation with the Administrator, on such form and in accordance with such procedures as the Administrator shall establish from time to time.

Section 8.02 No Beneficiary Designation. If a Participant or Beneficiary fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant or his or her Beneficiary, then the Participant's Beneficiary shall be deemed to be, in the following order:

- (a) to the spouse of such person, if any;
- (b) to the children of such person, if any;
- (c) to the beneficiary of any Company Paid Life Insurance of such person, if any;
- (d) to the beneficiary of the Executive Life Insurance of such person, if any;
- (e) to the beneficiary of any Company-sponsored life insurance policy for which any Company pays all or part of the premium of such person, if any; or
- (f) to the deceased person's estate.

ARTICLE IX

AMENDMENT AND TERMINATION OF PLAN

Section 9.01 Amendment. The Board may at any time amend this Plan in whole or in part, provided, however, that no amendment shall be effective to decrease the balance in any Deferral Account as accrued at the time of such amendment, nor shall any amendment otherwise have a retroactive effect.

Section 9.02 Company's Right to Terminate. The Board may at any time terminate the Plan with respect to future Participation Agreements. The Board may also terminate the Plan in its entirety at any time for any reason, including without limitation if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of The Dow Chemical Company, and upon any such termination, The Dow Chemical Company shall pay to each Participant (or shall transfer to a Company other than The Dow Chemical Company for payment if the Participant is employed at a Company other than The Dow Chemical Company) the benefits such Participant is entitled to receive under the Plan as monthly installments over a three (3) year period commencing within ninety (90) days (determined as of the most recent Valuation Date preceding the termination date). Any Company may cease participation in the Plan for any reason by notifying The Dow Chemical Company in writing at least 30 days prior to such Company's cessation of participation. Payments to Participants of any such Company will commence in accordance with the terms of the Plan.

ARTICLE X

MISCELLANEOUS

Section 10.01 Unfunded Plan. This Plan is intended to be an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, within the meaning of Sections 201, 301 and 401 of ERISA and therefore meant to be exempt from Parts 2, 3 and 4 of Title I of ERISA. All payments pursuant to the Plan shall first be made from the general assets of The Dow Chemical Company, as the entity primarily liable for such payments, and no special or separate fund shall be established or other segregation of assets made to assure payment. As described above, if a Participant is employed at a Company other than The Dow Chemical Company, such Company shall pay such Participant's Deferral Account balance to such Participant according to the terms of the Plan, and The Dow Chemical Company shall reimburse such Company for the amount of the payment. In the event The Dow Chemical Company is insolvent or is otherwise unable to make any required payment or reimbursement to a Participant or a Company, the Company (other than The Dow Chemical Company) that employed such Participant shall be secondarily liable for such payments from the general assets of such Company. No Participant or other person shall have under any circumstances any interest in any particular property or assets of The Dow Chemical Company or any other Company as a result of participating in the Plan. Notwithstanding the foregoing, The Dow Chemical Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of The Dow Chemical Company's creditors, to assist it in accumulating funds to pay its obligations.

Section 10.02 Nonassignability. Except as specifically set forth in the Plan with respect to the designation of Beneficiaries, neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency.

Section 10.03 Validity and Severability. The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 10.04 Governing Law. The validity, interpretation, construction and performance of this Plan shall in all respects be governed by the laws of the State of Delaware, without reference to principles of conflict of law, except to the extent preempted by federal law.

Section 10.05 Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or any Company any obligation for the Participant to remain an employee of such Company or change the status of the Participant's employment or the policies of such Company and its affiliates regarding termination of employment.

Section 10.06 Underlying Incentive Plans and Programs. Nothing in this Plan shall prevent any Company from modifying, amending or terminating the compensation or the incentive plans and programs pursuant to which Performance Awards are earned and which are deferred under this Plan.

Section 10.07 Severance. Payments from the Executive Severance Supplement equal to six months' Base Salary will be credited to the Participant's Deferral Account subject to the same earnings methods and distribution elections most recently elected by the Participant governing his or her Base Salary deferrals. The Executive Severance Supplement for individuals who do not have an established Deferral Account will be deemed to be invested using the 125% of Ten Year Treasury Notes Hypothetical Investment Benchmark and a ten year payout distribution election.

Section 10.08 Successors of the Company. The rights and obligations of The Dow Chemical Company shall inure to the benefit of, and shall be binding upon, the successors and assigns of The Dow Chemical Company.

Section 10.09 Waiver of Breach. The waiver by The Dow Chemical Company of any breach of any provision of the Plan by the Participant shall not operate or be construed as a waiver of any subsequent breach by the Participant.

Section 10.10 Notice. Any notice or filing required or permitted to be given to The Dow Chemical Company under the Plan shall be sufficient if in writing and hand-delivered, or sent by first class mail to the principal office of The Dow Chemical Company, directed to the attention of the Administrator. Such notice shall be deemed given as of the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark.

APPENDIX A

The Dow Chemical Company Stock Index Fund

125% of Ten Year Treasury Notes

Fidelity Equity Income Fund

Vanguard 500 Index Fund

T. Rowe Price Mid-Cap Growth Fund

Fidelity Low-Priced Stock Fund

Fidelity International Growth Collective Trust

Vanguard Balanced Index Fund

(Telephone numbers and addresses have been omitted.)

April 13, 2005

Mr. Geoffery Merszei

Dear Geoff:

It is my pleasure to offer you a position as Executive Vice President and Chief Financial Officer for The Dow Chemical Company in Midland, Michigan, reporting to myself. In welcoming you back to Dow, I feel confident that in this significant executive position you will help to lead Dow to new heights of performance and leave a lasting impression on our company. I hope that you will decide to take up this challenge and join what I believe is a very outstanding executive leadership team working to increase Dow's standing as the largest, most profitable, and most respected chemical company in the world. I am personally committed to helping you succeed, and am very excited at the prospect of having you on board.

While there are a number of details that are understandably not included in this offer letter, the following is a high level summary of the major components of the compensation and benefits package Dow is offering to provide, should you accept this position and meet the contingencies listed below.

Base Pay: Your initial salary will be \$718,212 per year, or \$59,851 per month. Under our Salary Management Process, your future increases will be based upon your individual performance and Dow's overall annual salary plan. Dow conducts a global compensation planning exercise in February of each year. At that time, you will be eligible for consideration for a salary increase. For calendar year 2006, such an increase, if granted, would become effective in March of 2006.

Variable Pay: You will also be eligible to participate in our annual variable pay program, called the Performance Award Program. The Performance Award Program is linked to a combination of company performance (for 2005, both Dow Economic Profit and Cost Savings components) and individual/team performance against business/functional goals, with a possible range of awards equal to 0 to 200% of your target award amount. When the company, your team, and you deliver excellent results, Dow's Performance Award Program is designed to provide a significant financial reward.

Your target Variable Pay for 2005 will be 80% of your year-end annualized base salary. You will receive a copy of the Program Guidelines and the target grid applicable to you at the time you begin work. The actual award payout for the 2005 program year can range from \$0 to \$1,149,139, based on actual company and individual/team performance. You will be eligible for a full-year (un-prorated) award for 2005, assuming that you are not eligible to receive any portion of any annual incentive plan award from your current employer for calendar year 2005. Should you subsequently become eligible to receive any such proportionate award from your current employer, your 2005 Dow Performance Award program target will be adjusted downward proportionally. Should Dow's payout for the 2005 Performance Award be less than your target payment, Dow will make up the difference, if any, between your actual Performance Award payment and your target payment, provided that the minimum funding requirement of the Program (Dow earning at least the economic profit equivalent of Dow's annual dividend payments to shareholders) is met. The 2005 Performance Award Program payout, if any, would be delivered in March of 2006, consistent with and subject to all other terms and conditions of the 2005 Performance Award Program.

Long Term Incentives: You will also be considered for participation in the annual Dow Long-Term Incentive (LTI) Program based on management review and the terms of the program. This program involves traditional stock options, performance shares, and deferred stock issued under The Dow Chemical Company 1988 Award and Option Plan (the 1988 A&O Plan). Participation levels each year are decided by your supervisor with Compensation Committee oversight. For calendar year 2005, your award will consist of the following mix of stock options, deferred stock, and performance shares:

- 61,340 non-qualified Stock Option Shares,
- 24,860 Performance Shares,
- and 16,580 Deferred Shares.

The strike price of your non-qualified stock option grant will be calculated based on the fair market value of Dow stock on your date of hire, which will also be the date of grant. More complete terms and conditions, including the grant price and vesting periods of the awards, will be outlined in the actual award agreements you will receive, which, along with the terms of the A&O Plan, will control in the event of a conflict with the terms of this offer letter. Should you remain continuously employed with Dow through the one-year anniversary of your actual 2005 date of hire into Dow, all of your prior Dow service will apply for purposes of whether you will receive retiree treatment under the LTI Program.

If you accept our offer and meet the contingencies listed below, you will, upon reporting to work, also be eligible to receive the following, special, one time employment incentives:

Cash Bonus: You will receive a one-time, gross, lump sum cash bonus of \$750,000 (less applicable taxes), payable 90 days from your hire date.

Additional Allowance: You will be eligible to receive an additional employment allowance of \$1,600,000 (less applicable taxes). If not paid earlier as described below on account of your death, disability, or involuntary separation by Dow, this allowance will be paid in three equal installments: the first installment of \$533,334 to be paid at the one-year anniversary of your actual 2005 date of hire into Dow; the next installment of \$533,333 to be paid at the two-year anniversary of your hire date; and the last installment of \$533,333 to be paid on the three-year anniversary of your hire date. Your receipt of these respective payments is contingent upon, at the time of each respective payment date, your remaining a full-time active employee in good standing with no breaks in service who has maintained the expected level of performance during this period as determined by the Chief Executive Officer in such person's sole discretion. Should you leave employment with Dow for any reason except your death, disability, or involuntary separation by Dow prior to any scheduled installment payment date, you will forfeit your right to any future allowance installments not previously paid to you, and no further such installment payments will be made. In case of your involuntary separation, death, or disability the installments will vest immediately and will be paid to you or to your surviving spouse, provided that payments made due to your involuntary separation by Dow will be made on the first business day that is six (6) months after your last day of employment with Dow. For purposes of this Additional Allowance, the term "disability" shall have the meaning of "disabled" in Section 409A(a)(2)(C) of the Internal Revenue Code of 1986, as amended.

Deferred Stock: Dow will make a Deferred Stock grant to you in the amount of 30,000 shares of Dow common stock, to be delivered on the sixtieth (60th) day following the third anniversary of your actual 2005 date of hire into Dow. A Deferred Stock Award means that, consistent with the specified terms of the Award, the Company will deliver to you the indicated number of Dow common stock shares on the sixtieth (60th) day following the third anniversary date of your hire into Dow. From the date of grant until the shares are actually delivered to you, you will be eligible to receive a payment on those shares equal to any Dow stock dividends that are declared. Any such dividend equivalents (less applicable taxes) will be paid to you on a quarterly basis through the normal

payroll process. More complete terms and conditions of this award will be outlined in the actual agreement you will receive, which, along with the terms of the 1988 A&O Plan, will control in the event of a conflict with the terms of this offer letter.

Stock Options: Dow will make an additional, non-qualified stock option grant to you in the amount 250,000 shares of common stock of The Dow Chemical Company at a strike price calculated based on the fair market value of Dow stock on your date of hire, which will also be the date of grant. More complete terms and conditions of this stock option grant will be outlined in the actual award agreement you will receive, which, along with the terms of the A&O Plan, will control in the event of a conflict with the terms of this offer letter.

As you know, each of the above special, one-time employment stock incentives are based on our understanding that you would lose a significant amount of incentive compensation as a result of accepting this position and leaving your current employer at this time, and as such are designed to mitigate that short-fall. Accordingly, in the event that you should actually receive any of this incentive compensation from your current employer following your separation from employment, you agree that Dow shall modify proportionally the above special one-time incentives in its discretion to reflect any such incentive compensation that you actually receive from your current employer. By signing this agreement, you agree to notify Dow in a timely manner should you receive any incentive compensation from your current employer for which Dow has provided replacement value with these grants.

In addition to the above special, one-time employment incentives, you will also be eligible to receive the following benefits upon reporting to work:

Vacation: You will receive 27 days of vacation for the calendar year 2005, prorated to your date of hire, as well as an additional 2 personal choice days per year. You will enter the Dow vacation schedule at an equivalent of 27 years of employment service credited for vacation purposes. With each successive year of service, you will acquire an additional year of employment service for purposes of vacation benefit calculation.

Pension: Upon hire, you will become a member of the U.S. Dow Employees' Pension Plan (DEPP) and may choose to participate in the Employees' Savings Plan (401(k)) and Elective Deferral Plan. DEPP is a defined benefit plan that uses your highest consecutive three year average pay (base + target Performance Award) to calculate a monthly annuity upon retirement. Under the terms of DEPP, you will be able to choose between a single life annuity or, with the appropriate actuarial reductions, either a 50% or 100% joint and survivor annuity that will also continue to pay your spouse of record after your death. After completing one year of service and with the approval of the Plan Administrator, you will be considered fully vested in DEPP. Your Dow years of service, including your previous 23.7 years under the Swiss Plan and your Dow years of service earned after re-hire, will count towards eligibility for retirement and "points" towards an unreduced benefit under those pension plans that include a reduction factor. The coordination of your Swiss and U.S. pension benefit is discussed in more detail below.

Because you were also a member of the Dow Swiss Pension Foundation defined benefit-plan (the Swiss Plan) based on your prior Dow employment, once vested in DEPP we will use a proration method to calculate the value of your total company pension benefit. Under the proration method, we consider all of your service (the 23.7 years under the Swiss Plan, the years with your immediate predecessor employer, and the Dow years of service accumulated after re-hire) as if accumulated in both defined benefit plans for benefit calculation purposes and then give you the appropriate fractional benefit, based on percent of service, using the pension calculation formulas of each plan. For each plan, we will use the plan's respective pensionable pay definition as applied to your final pay. In your particular case, we will count the years with your immediate predecessor employer as hypothetical U.S. Dow years for pension calculation purposes, and any benefit paid by such predecessor employer will be used to reduce the amount of the U.S. annuity.

In addition, because you have already been paid a portable benefit under the Swiss Plan, we will reduce your ultimate Swiss defined benefit pension by the amount of the defined benefit portion of the Swiss Plan portable benefit (plus investment experience) that was previously paid to you. The defined contribution portion of the Swiss Plan that you already received will not be used in this offset calculation. The defined benefit portion represented 76% of the total Swiss portable benefit you received in 2001. You shall keep your entire Swiss portable benefit fully invested in your current VZ Freizuegigkeitstiftung and, upon ultimate retirement from Dow, we will take 76% of the balance at your retirement date to offset the lump sum value of the Swiss defined benefit portion of the pension in calculating your Swiss annuity. (Note that you will not become a participant again in the Swiss Plan, but we will use the applicable Swiss Plan formula to calculate a hypothetical Swiss Plan based annuity, which will actually be paid out of the U.S. Executives' Supplemental Retirement Plan (the ESRP)). We will convert the Swiss Francs into U.S. Dollars at the time of retirement for purposes of this benefit.

Providing you do not voluntarily terminate prior to completing one year of service, the value of the total pension benefits you will receive, including the Dow paid benefit, the defined benefit portion of your Swiss portable benefit, and any benefit from your immediate predecessor employer, will not be less than the total pension benefits you were guaranteed to receive from your immediate predecessor employer. In addition, because the years with your immediate predecessor employer can not be counted as years of service under the qualified pension plan (DEPP), and because your pay exceeds the U.S. qualified plan limits, please note that much of your U.S. pension benefit will be paid out of the ESRP.

U.S. Retiree Medical

Upon completing one year of service under DEPP, you and your spouse of record at retirement will be eligible to receive post-employment medical coverage under the then-applicable terms and conditions of the Dow Retiree Medical Program. You will be eligible to participate in the Program both before and after becoming eligible for Medicare, the U.S. government plan for individuals over age 65. Your premiums will be based on the then applicable retiree medical budget and support schedule and your total years of actual Dow service at the time you end Dow employment. Please note that service with your previous employer will not count as service under the Retiree Medical Support schedule, but that you are eligible for maximum Dow support with 30 years of Dow service or 85 points.

Severance:

While, like all U.S. Dow employees, you have an at-will employment relationship with Dow, you will, in the event of your involuntary separation from Dow, and depending on the circumstances of your involuntary separation, be eligible to receive any standard transition assistance benefits that are otherwise available to employees at your job level under the terms and conditions of any then applicable severance plan in which you are eligible to participate; provided that, to the extent any such plan does not recognize your past service with any non-Dow employers, Dow will, for purposes only of any service-based separation payment you may be eligible to receive under the terms and conditions of such plan, provide you (or cause you to be provided) with a supplemental payment (less applicable taxes) equal to the difference between the separation payment you are then otherwise eligible to receive under the terms and conditions of such plan based on your Dow service alone, and the separation payment you would have received under the terms and conditions of such plan after including your non-Dow employer service in the calculation of that separation payment amount.

Executive Benefits:

In addition to the full array of benefits available to all US-based salaried employees, you will also be eligible to participate in several of Dow's Executive Benefits Programs, including support for financial planning and executive physical examinations.

Relocation: You are eligible for Dow's North American Relocation Package for transferees, with a period of one year after your hire date to access the benefits provided by the package. All provisions will apply except that you will not be eligible for a geographic cost of living allowance. The major components of our transferee package include a house-hunting trip, a guaranteed offer to purchase your home in the departure location, new home closing costs for your home in Midland, the shipment of your household goods, final move expenses, and one month's net salary for relocation related expenses that are not covered by the package.

Upon acceptance of this offer, Dow will inform our relocation services supplier, Cendant Mobility, to contact you to review the package provisions in detail. If you should wish to do this in advance of accepting Dow's offer, let Gregory Freiwald know and he will arrange for Cendant to contact you.

Car: You will receive the use of a company car, consistent with established Company policies and procedures for senior executives.

Other Benefits: You will be eligible to participate in a range of additional benefits including health, life, dental and disability insurance, consistent with your enrollment elections and the terms and conditions of those programs. The details of these programs have been provided to you in our standard benefits package materials.

More complete terms and conditions of each of the active employee and retiree benefits available under the applicable Dow benefit plans and programs, including without limitation 401(k), DEPP, ESRP, the 1988 A&O Plan, and the Dow Retiree Medical Program, will be outlined in the official plan summaries for each plan or program that will be made available to you which, along with the actual terms of each such plan or program, will control in the event of a conflict with the terms of this offer letter. Dow reserves the right to amend, modify or terminate any or all of its benefit plans and programs, including the Dow Retiree Medical Program, at any time.

This job offer, and all of the corresponding compensation and benefits summarized above (including the special, one-time employment incentives), is contingent upon:

- Providing documentation of the proper authorization to work in the United States and, if required, obtaining the appropriate U.S. export license(s). Only U.S. citizens or nationals, U.S. Permanent Residents, or aliens who are authorized to work in the United States can be considered for employment with Dow.
- Dow determining, to its satisfaction, that your commencing employment with Dow does not violate any confidentially and/or non-competition agreements you may have entered into with your current or former employers. Should any such agreements or restrictions exist, you should forward them immediately to Gregory Freiwald via fax at 989-638-7073.

Continued employment, and your eligibility to receive the special, one-time employment incentives, are also contingent upon complying with the following requirements:

- Signing two (2) standard Dow Chemical Employee Agreement forms (patent and trade secret) on your report-to-work date, a sample of which is enclosed for your review. Among other things, this Agreement clarifies that you will at all times have an at-will employment status with Dow. Nothing in this offer letter constitutes or may be relied upon as a contract of employment for any specified period or duration or otherwise alters your status as an at-will employee of Dow.
- Passing a screening for illegal and controlled substances (negative results) during the first week of employment by Dow Health Services. You may voluntarily authorize a screening prior to acceptance of this job offer.
- Verifying your employment eligibility by completing an I-9 form with supportive documentation on your report-to-work date. As required by law, Dow employs only U.S. citizens and aliens authorized to work in the United States.

Geoff, we are confident you will find working for Dow an exciting and challenging experience and hope you will give our offer your most serious consideration. Please indicate your acceptance of this offer by signing and returning by fax (989-638-7073) the second copy of this letter on or before Friday, April 15, 2005 and mailing the original copy. If we can answer any questions or concerns that will assist you with your decision, please call me at (989) 636-4147 or Gregory Freiwald at (989) 636-8763.

Sincerely,

/s/ ANDREW N. LIVERIS

Andrew N. Liveris
President & CEO
The Dow Chemical Company

Acceptance of Dow Offer:

/s/ GEOFFERY MERSZEI

Signature

April 18, 2005

Date

**Subsidiaries of The Dow Chemical Company
At December 31, 2005**

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>	
The Dow Chemical Company	Delaware		—
Arabian Chemical Company (Polystyrene) Limited (1)	Saudi Arabia	50	—
Arabian Chemical Company (Latex) Ltd. (1)	Saudi Arabia	50	—
Arakawa Europe GmbH	Germany	60	—
AVC Holdings Inc. (37)	Delaware	63	—
Buildscape LLC	Delaware	100	—
CanStates Holdings, Inc.	Oklahoma	100	—
ANGUS Chemical Company	Delaware	100	—
CD Polymers Inc.	Delaware	100	—
Centen Ag Inc.	Delaware	100	—
Dow AgroSciences LLC (10)	Delaware	39	—
Mycogen Corporation (17)	California	12	—
Chemars Inc.	Delaware	100	—
Chemars III LLC	Delaware	100	—
DC Partnership Management Inc.	Delaware	100	—
DowBrands L.P. (6)	Delaware	42	—
DCOMCO, Inc.	Delaware	100	—
Denmerco Inc.	Delaware	100	—
DW Dexco Investment LLC	Delaware	100	—
Dexco Polymers L.P. (1) (25)	Texas	49	—
Dexco Polymers Operating Company LLC (1)	Texas	50	—
Dexco Polymers L.P. (1) (25)	Texas	1	—
Diamond Capital Management Inc.	Delaware	100	—
DML Holding Inc. (42)	Delaware	89	—
Dow Canada Holding LP (43)	Canada	1	—
DMM Financial LLC	Delaware	100	—
MTD Pipeline LLC (1)	Delaware	50	—
Dofinco, Inc.	Delaware	100	—
Dow Canada Holding LP (43)	Canada	89	—
Dow Chemical Canada Inc.	Canada	100	—
Dow Chemical Finance Canada Inc.	Canada	100	—
Modeland International Holdings Inc. (31)	Barbados	59	—
Dow Brasil S.A.	Brazil	100	—
Branco Dow Compostos de Engenharia S.A.	Brazil	100	—
Cambricos de Uruguay S.A.	Uruguay	100	—
Companhia Alcoolquimica Nacional	Brazil	95	—
Dopec Industria E Comercio Ltda.	Brazil	100	—
Dow Especialidades Quimicas Ltda.	Brazil	100	—
Dow Participacoes Ltda.	Brazil	100	—
Dow Brasil Nordeste Ltda.	Brazil	100	—
EDN-Distribuidora do Nordeste Ltda.	Brazil	100	—
EDN-Poliestireno do sul Limitada	Brazil	100	—
Keytil Sociedad Anonima	Uruguay	100	—
Essex Specialty Products, Inc., Canada	Canada	100	—
Fort Saskatchewan Ethylene Storage Limited Partnership (1) (15)	Canada	49	—
H-D Tech Inc. (1)	Canada	50	—
MEGlobal Canada Inc (1)	Canada	50	—
Petromont and Company Limited Partnership (1)	Canada	50	—
Petromont Inc. (1)	Canada	50	—

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow Chemical (Australia) Limited	Australia	100
Dow Australia Superannuation Fund A Pty Limited	Australia	100
Polystyrene Australia Pty Ltd (1)	Australia	50
Dow Chemical (China) Investment Company Limited	China	100
Dow Chemical (Shanghai) Company Limited	China	100
Dow Chemical (Zhangjiagang) Co., Ltd. (14)	China	10
Dow S/B Latex (Zhangjiagang) Co. Ltd. (13)	China	31
Guangdong Zhongshan Amerchol Specialty Chemicals	China	90
SAL Petrochemical (Zhangjiagang) Company Limited (1) (16)	China	10
Dow Chemical Delaware Corp.	Delaware	100
Chemtech II L.P. (8)	Delaware	72
Chemtech Portfolio Inc. (12)	Texas	33
Chemtech Portfolio II Inc.	Michigan	100
Dow Chemical (Hong Kong) Limited	Hong Kong	100
Dow Chemical International Ltd.	Delaware	100
Dow Chemical Thailand Ltd.	Thailand	100
Dow International Holdings General Partnership (26)	Bermuda	1
Hobbes Capital S.A. (24)	Luxembourg	48
Petroquimica-Dow S.A. (Petrodow)	Chile	100
Dow Chemical Japan Limited (9)	Japan	89
Dow Chemical Korea Limited	Korea	100
Dow Chemical (NZ) Limited	New Zealand	100
Dow Chemical Pacific Limited	Hong Kong	100
Dow Chemical Pacific (Singapore) Private Limited	Singapore	100
Dow Chemical (Guangzhou) Company Limited	China	100
Dow Chemical International Pvt. Ltd. (36)	India	99
Dow Chemical (Malaysia) Sdn. Bhd.	Malaysia	100
Dow Financial Holdings Singapore Pte Ltd.	Singapore	100
Dow Chemical (Zhangjiagang) Co., Ltd. (14)	China	90
Dow S/B Latex (Zhangjiagang) Co. Ltd. (13)	China	69
SAL Petrochemical (Zhangjiagang) Company Limited (1) (16)	China	40
G.Z. Holdings Pte. Ltd.	Singapore	100
PT Dow Chemical Indonesia (19)	Indonesia	15
S.H.A. Holdings Pte. Ltd.	Singapore	100
Dow Chemical (Singapore) Private Limited	Singapore	100
Dow Chemical International Pvt. Ltd. (36)	India	1
Dow Chemical Taiwan Limited	Taiwan	100
Dow Chemical Telecommunications Corp.	Delaware	100
Dow Credit Corporation	Delaware	100
Dow Customs & Trade Inc.	Delaware	100
Dow Deutschland Inc.	Delaware/Germany	100
Dow Chemical Inter-American Limited	Delaware	100
Dow Quimica de Colombia S.A. (5)	Colombia	10
Dow Deutschland Management Inc.	Delaware	100
Dow Engineering Company	Delaware	100
Dow Engineering, Inc.	Michigan	100
Dow Environmental Inc.	Delaware	100
Dow Financial Holdings Inc.	Delaware	100
Dow Holdings Inc.	Delaware	100

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow Corning Corporation (1)	Michigan	50
Dow Hydrocarbons and Resources Inc.	Delaware	100
Cayuse Pipeline, Inc.	Texas	100
Dow Intrastate Gas Company	Louisiana	100
Dow Pipeline Company	Texas	100
K/D/S Promix, LLC (1)	Texas	50
Midland Pipeline Corp.	Delaware	100
Fort Saskatchewan Ethylene Storage Corporation (1)	Canada	50
Fort Saskatchewan Ethylene Storage Limited Partnership (1) (15)	Canada	1
DowBrands L.P. (6)	Delaware	58
Dow Financial Services Inc.	Delaware	100
Dow Global Technologies Inc.	Delaware	100
Chemtech Portfolio Inc. (12)	Texas	67
AVC Holdings Inc. (37)	Delaware	37
Dow International B.V.	Netherlands	100
Dow International Financial Services	Ireland	100
Dow Capital Public Limited Company	Ireland	100
Dow International Holdings Company (30)	Delaware	82
Dow International Holdings S.A.	Switzerland	100
Dow International Holdings General Partnership (26)	Bermuda	99
Dow Europe Holding B.V.	Netherlands	100
ConSecFin B.V.	Netherlands	100
Dow Austria GmbH	Austria	100
Dow Belgium B.V.B.A	Belgium	100
Dow Benelux B.V.	Netherlands	100
Dow Netwerk B.V.	Netherlands	100
Emergo Finance C.V. (1)	Netherlands	50
Inkoopcombinatie ELSTA V.O.F. (1)	Netherlands	50
Polyol Belgium B.V.B.A. (11)	Belgium	99
Rofan Automation and Information Systems B.V.	Netherlands	100
Terneuzen EPE Train 3 B.V.	Netherlands	100
Terneuzen Partnership Services B.V.	Netherlands	100
Valuepark Terneuzen CV (1) (35)	Netherlands	10
Valuepark Terneuzen Beheer BV (1)	Netherlands	50
Valuepark Terneuzen CV (1) (35)	Netherlands	80
Dow Chemical Company Limited	United Kingdom	100
Dow Automotive (UK) Limited	United Kingdom	100
Cromarty Petroleum Company Limited (1)	United Kingdom	50
Dow Chemical Iberica S.L.	Spain	99
Dow Automotive (Espana) S.L.	Spain	100
Transformadora de Etileno AIE (1)	Spain	50
Dow Chemical OOO	Russia	100
Dow Europe GmbH	Switzerland	100
Advanced Design Concepts GmbH (1)	Germany	50
Dolpa S.a.r.l.	Luxembourg	100
Dow Automotive Romania S.A.	Romania	51
Dow Automotive South Africa (Pty) Ltd.	South Africa	100
Dow Contract Services FZE	Dubai	100
Dow Europe Finance 1 BV	Netherlands	100

**Subsidiaries of The Dow Chemical Company
At December 31, 2005**

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow Export GmbH	Switzerland	100
Dow Mideast Systems (JSC) (2)	Egypt	1
Sound Alliance GmbH	Switzerland	60
Dow France S.A.S.	France	100
Dow Hellas A.E.	Greece	100
Dow Hungary Kft. (32)	Hungary	99
Dow InterBranch B.V.	Netherlands	100
Dow Danmark A/S	Denmark	100
Dow Hungary Kft. (32)	Hungary	1
Dow Mideast Systems (JSC) (2)	Egypt	1
Dow Norge A/S	Norway	100
Dow Turkiye Kimya Sanayi ve Ticaret Ltd Sti (3)	Turkey	1
Dow Zwijndrecht B.V.B.A. (27)	Belgium	1
Esti Chem A/S	Denmark	100
Dow Italia S.r.l.	Italy	100
Dow AgroSciences Italia S.R.L.	Italy	100
Dow Poliuretani Italia s.r.l	Italy	100
Dow Mideast Systems (JSC) (2)	Egypt	98
Dow Olefinverbund GmbH	Germany	100
ANGUS Chemie GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (41)	Germany	30
BSL Pipeline Gesellschaft mbH & Co. KG	Germany	80
Dow Pipeline Verwaltungsgesellschaft mbH	Germany	80
Dow AgroSciences GmbH	Germany	100
Dow Automotive (Deutschland) GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (41)	Germany	35
Dow Deutschland Anlagengesellschaft mbH	Germany	100
Safechem Europe GmbH	Germany	100
Dow Deutschland GmbH & Co OHG (41)	Germany	35
Dow Polska Sp.z.o.o.	Poland	100
Dow Portugal - Produtos Quimicos, Unipessoal, Lda.	Portugal	100
Dow Southern Africa (Pty) Ltd.	South Africa	100
Dow Suomi OY	Finland	100
Dow Sverige AB	Sweden	100
Dow Turkiye Kimya Sanayi ve Ticaret Ltd Sti (3)	Turkey	99
Dow Zwijndrecht B.V.B.A. (27)	Belgium	99
Dow (Wilton) Limited	United Kingdom	100
Ginger B.V. (1)	Netherlands	50
Haltermann B.V.B.A.	Belgium	100
MEGlobal B.V. (1)	Netherlands	50
Oman Petrochemical Industries Company LLC (1)	Oman	50
Polyol Belgium B.V.B.A. (11)	Belgium	1
Dow Internacional Mexicana S.A. de C.V.	Mexico	100
Dow Investment Argentina S.A. (38)	Argentina	97
PBBPolisur S.A. (40)	Argentina	72
Dow Kakoh Kabushiki Kaisha	Japan	65
Dow Quimica Argentina S.A. (28)	Argentina	87
Dow Quimica Chilena S.A. (29)	Chile	89
Dow Quimica de Colombia S.A. (5)	Colombia	90

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow Quimica Latin America S.A.	Uruguay	100
Dow Quimica Mexicana S.A. de C.V. (22)	Mexico	85
Dow South Africa Holdings (Pty.) Ltd.	South Africa	100
Sentrachem Limited	South Africa	100
Chrome International South Africa (Pty) Limited (1)	South Africa	50
Cisvaal (Proprietary) Limited	South Africa	100
Jakkalsbessie Beleggings (EDMS) Bpk.	South Africa	100
Minchem International Inc.	South Africa	100
South African Polymer Holdings (PTY) Ltd.	South Africa	100
Dow Trading S.A.	Switzerland	100
Dow Trent Limited	United Kingdom	100
Dow UK Limited	United Kingdom	100
Haltermann Limited	United Kingdom	100
Ascot Group Pension Trustees Limited	United Kingdom	100
Ascot Holdings Limited	United Kingdom	100
Marclay Limited	United Kingdom	100
Ascot International Management Limited	United Kingdom	100
Ascot Limited	United Kingdom	100
Ascot Investments Limited	United Kingdom	100
Ascot Chemicals Limited	United Kingdom	100
Mitchell Cotts Chemicals Limited	United Kingdom	100
Suter Ash Limited	United Kingdom	100
Ascot Management Services Limited	United Kingdom	100
Ascot Corporate Directors Limited (In liquidation)	United Kingdom	100
Haltermann Pension Trustees Limited	United Kingdom	100
Ascot Nominees Limited (In liquidation)	United Kingdom	100
Ascot Quest Trustee Limited (In liquidation)	United Kingdom	100
Ascot Real Estate Limited	United Kingdom	100
Chirotech Technology Limited	United Kingdom	100
Ellesmere Port Properties Limited	United Kingdom	100
Lynshield Limited (1)	United Kingdom	50
Suter Equipment Limited	United Kingdom	100
Suter Limited	United Kingdom	100
Ascot Commercial Limited (In liquidation)	United Kingdom	100
Ascot Group Finance Limited	United Kingdom	100
St. Vincent's Limited	United Kingdom	100
Ascot Overseas Ltd.	United Kingdom	100
Chemoxy International Limited	United Kingdom	100
Jolly No. 2 Limited	United Kingdom	100
Dow Venezuela, C.A. (7)	Venezuela	36
DowBrands Inc. (18)	Delaware	79
DSL Holdings Inc.	Delaware	100
Dow Reichhold Specialty Latex LLC (1)	Delaware	50
Equipolymers B.V. (1)	Netherlands	50
Essex Chemical Corporation	New Jersey	100
Essex Specialty Products LLC	New Jersey	100
American Mortell Corporation	Texas	100
Mortell Company	Delaware	100
Anabond Essex India Private Limited (1)	India	50

**Subsidiaries of The Dow Chemical Company
At December 31, 2005**

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow International Holdings Company (30)	Delaware	11
Dow Investment Argentina S.A. (38)	Argentina	3
Essex de Hermosillo, S.A. DE C.V.	Mexico	100
Sound Alliance LLC	Delaware	60
Wuhan Essex Chemical Co., Ltd.	China	100
FilmTec Corporation	Delaware	100
Flexible Products Company	Georgia	100
Flexible Products Company of Canada, Inc	Canada	100
Forbanco Inc.	Delaware	100
GBRP, L.L.C.	Louisiana	94
General Latex and Chemical Corporation	Massachusetts	100
General Latex Canada Inc.	Canada	100
Great Western Pipeline Company, Inc.	California	100
Ifco Inc.	Delaware	100
Chemtech II L.P. (8)	Delaware	5
Ion Holdings LLC (21)	Delaware	60
Ion Investments S.a.r.l.	Luxembourg	100
Tornado Finance V.O.F.	Netherlands	60
Intarsia Corporation	Delaware	99
iVenturi, Inc.	Delaware	54
Joliet Marine Terminal Trust Estate (1)	Illinois	50
Liana Limited	Delaware	100
Dorinco Insurance (Ireland) Limited	Ireland	100
Dorinco Reinsurance Company	Michigan	100
Dorintal Reinsurance Limited	Bermuda	100
Timber Insurance Limited	Bermuda	100
LG Dow Polycarbonate Limited (1)	Korea	50
PBBPolisur S.A. (40)	Argentina	28
PT Dow Chemical Indonesia (19)	Indonesia	85
Productos Quimicos Peruanos S.A. (33)	Peru	91
Proresin Inc.	Delaware	100
Haltermann Incorporated	Texas	100
Johann Haltermann Ltd. (34)	Texas	1
Johann Haltermann Ltd. (34)	Texas	99
Raven Group Ltd.	Delaware	100
RavenWorks Ltd.	Delaware	94
Rofan Services Inc.	Delaware	100
DH Compounding Company (1)	Delaware	50
Dow AgroSciences LLC (10)	Delaware	10
Ion Holdings LLC (21)	Delaware	40
Mycogen Corporation (17)	California	88
Agrigenetics, Inc. (45)	Delaware	19
Dow AgroSciences LLC (10)	Delaware	51
Alsan Research (1)	Iowa	50
Bayer DAS (Private) Limited (1)	Pakistan	50
DERe Insurance Company	Vermont	100
Dintec Agrichemicals LLC (1)	Delaware	50
Dow AgroSciences Agricultural Products Limited	Mauritius	100
Dow AgroSciences India Pvt. Ltd. (39)	India	99

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow AgroSciences B.V.	Netherlands	100
Ambito DAS S.A. (1)	Argentina	50
Chaco DAS S.A. (1)	Argentina	50
Terramar JV S.A. (1)	Argentina	50
Daser Agro SA (1)	Argentina	50
Desab S.A. (1)	Argentina	50
Dintec Agroquimica Produtos Quimicos, Ltda.	Portugal	66
Distribuidora de Agroquimicos del Sureste de la Republica S.A. de C.V. (1)	Mexico	50
Dow AgroSciences A.S.	Turkey	100
Dow AgroSciences Argentina S.A. (23)	Argentina	89
Dow AgroSciences Bolivia S.A. (44)	Bolivia	1
Corporacion de Inversiones Frutihortícolas S.A.	Argentina	100
Dow AgroSciences Asia Sdn. Bhd.	Malaysia	100
Dow AgroSciences Australia Limited	Australia	100
Dow AgroSciences Bolivia S.A. (44)	Bolivia	98
Dow AgroSciences Canada Inc.	Canada	100
Dow AgroSciences Chile S.A.	Chile	100
Dow AgroSciences S.A. Costa Rica	Costa Rica	100
Dow AgroSciences Danmark A/S	Denmark	100
Dow AgroSciences de Colombia S.A.	Colombia	100
Dow AgroSciences de Mexico S.A. de C.V.	Mexico	100
Dow AgroSciences Export S.A.S.	France	100
Dow AgroSciences Guatemala S.A.	Guatemala	100
Dow AgroSciences Iberica S.A.	Spain	100
Dow AgroSciences Industrial Ltda.	Brazil	100
Dow AgroSciences Limited	United Kingdom	100
Dow AgroSciences (NZ) Limited	New Zealand	100
Dow AgroSciences Pacific Limited	Hong Kong	100
Dow AgroSciences Paraguay S.A.	Paraguay	100
Dow AgroSciences Bolivia S.A. (44)	Bolivia	1
Dow AgroSciences Polska Sp z o.o.	Poland	100
Dow AgroSciences Hungary KFT (20)	Hungary	1
Dow AgroSciences S.A.S.	France	100
Dow AgroSciences Distribution S.A.S.	France	100
Dow AgroSciences (Malaysia) Sdn Bhd	Malaysia	100
Dow AgroSciences s.r.o.	Czech Republic	100
Dow AgroSciences Sverige A/B	Sweden	100
Dow AgroSciences Taiwan Ltd.	Taiwan	100
Dow AgroSciences Technology GmbH	Switzerland	100
Dow AgroSciences Switzerland S.A.	Switzerland	100
Dow AgroSciences Hungary KFT (20)	Hungary	99
Pytech Chemicals GmbH (1)	Switzerland	50
Dow AgroSciences Uruguay S.A.	Uruguay	100
Dow AgroSciences Vertriebsgesellschaft mbH	Austria	100
Dow Chemical Japan Limited (9)	Japan	11
AgroPartners Corporation	Japan	100
Dow Venezuela, C.A. (7)	Venezuela	54
Fedea S.A. (1)	Argentina	50
I.C.R. - Intermedi Chimici Ravenna s.r.l. (1)	Italy	50

**Subsidiaries of The Dow Chemical Company
At December 31, 2005**

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
JV Agro S.A. (1)	Argentina	50
P.T. Dow AgroSciences Indonesia	Indonesia	95
Pentec - Produtos Quimicos, Lda. (1)	Portugal	50
Rindes y Cultivos - DAS S.A. (1)	Argentina	50
Ubajay-DAS S.A. (1)	Argentina	50
Dow AgroSciences Barbados Limited	Barbados	100
Dow AgroSciences China Ltd.	Delaware	100
Dow AgroSciences International Ltd.	Delaware	100
Dow AgroSciences (Thailand) Limited	Thailand	100
Dow AgroSciences Southern Africa (Proprietary) Limited	South Africa	100
Sanachem (Zimbabwe) (Pvt) Ltd	Zimbabwe	100
DowBrands Inc. (18)	Delaware	21
DAS Agricultural Investment Holding Company Ltd.	Mauritius	100
Dow AgroSciences India Pvt. Ltd. (39)	India	1
Nantong DAS Chemical Co., Ltd.	China	82
Mycogen Crop Protection, Inc.	California	100
Mycogen Far East Asia Corporation	California	100
Mycogen S.A. de C.V. (4)	Mexico	99
Parasitix Corporation	California	100
Mycogen Plant Science, Inc.	Delaware	100
Agrigenetics, Inc. (45)	Delaware	81
Agrigenetics Molokai LLC	Hawaii	100
Dow AgroSciences Argentina S.A. (23)	Argentina	11
Mycogen Seeds-Puerto Rico Corporation	Delaware	100
Mycogen S.A. de C.V. (4)	Mexico	1
Mycosub/BA, Inc.	Delaware	100
Mycosub/BH, Inc.	Delaware	100
Phytogen Seed Company, LLC	Delaware	54
Wenben Inc.	Delaware	100
Sentrachem US, Inc.	Delaware	100
Hampshire Holdings, Inc.	Delaware	100
Hampshire Chemical Corp.	Delaware	100
Styron Asia Limited (1)	Hong Kong	50
Sumitomo Dow Limited (1)	Japan	50
TCM Technologies Inc.	Delaware	100
Texas LNG Holdings LLC	Delaware	100
Union Carbide Corporation	New York	100
Amerchol Corporation	Delaware	100
Benefit Capital Management Corporation	Delaware	100
Calidria Corporation	Delaware	100
Carbide Chemical (Thailand) Limited	Thailand	100
Excellent Quality (Thailand) Company Limited	Thailand	100
Catalysts, Adsorbents & Process Systems, Inc.	Maryland	100
Chemicals Marine Fleet, Inc.	Delaware	100
DML Holding Inc. (42)	Delaware	11
Dow Canada Holding LP (43)	Canada	11
Dow International Holdings Company (30)	Delaware	7
Dow Quimica Argentina S.A. (28)	Argentina	12
Dow Quimica Mexicana S.A. de C.V. (22)	Mexico	15

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Dow Venezuela, C.A. (7)	Venezuela	10
EQUATE Marketing Company E.C. (1)	Bahrain	50
Global Industrial Corporation	New York	100
Industrias Carlisil, S.A.	Mexico	100
KTI Chemicals, Inc.	Delaware	100
Modeland International Holdings Inc. (31)	Barbados	41
Nippon Unicar Company Limited (1)	Japan	50
Optimal Chemicals (Malaysia) Sdn. Bhd. (1)	Malaysia	50
P.T. Union Carbide Indonesia	Indonesia	100
Seadrift Pipeline Corporation	Delaware	100
Servicios de Quimicos Agricolas, S. A.	Mexico	100
South Charleston Sewage Treatment Company	West Virginia	100
UCAR Emulsion Systems International, Inc.	Delaware	100
UCAR Emulsion Systems FZE	Dubai	100
UCAR Interam Inc.	Delaware	100
UCAR Louisiana Pipeline Company	Delaware	100
UCAR Pipeline Incorporated	Delaware	100
UCMG LLC	Delaware	100
Optimal Glycols (Malaysia) Sdn. Bhd. (1)	Malaysia	50
UC Finco Inc.	Delaware	100
Umetco Minerals Corporation	Delaware	100
Australia and New Zealand Exploration Company	Delaware	100
Blue Creek Coal Co, Inc.	Delaware	100
Predate Properties (Pty) Ltd.	South Africa	100
Umetco Minerals Exploration Corporation	Delaware	100
Union Carbide Asia Limited	Hong Kong	100
Shanghai Petrochemical Union Carbide Emulsion Systems Co, Ltd.	China	63
Union Carbide (Guangdong Zhongshan) Company Limited	China	75
Union Carbide Asia Pacific, Inc.	Delaware	100
Union Carbide Caribe LLC	Delaware	100
Union Carbide Chemicals & Plastics Technology Corporation	Delaware	100
Union Carbide Comercial Nicaragua, S.A.	Nicaragua	100
Union Carbide Customer Services Pte. Ltd.	Singapore	100
Union Carbide Ethylene Oxide/Glycol Company	Delaware	100
Union Carbide Finance Corporation	Delaware	100
Union Carbide Foreign Sales Corporation	Virgin Islands	100
Union Carbide Inter-America, Inc. (Delaware)	Delaware	100
Dow Quimica Chilena S.A. (29)	Chile	10
Productos Quimicos Peruanos S.A. (33)	Peru	9
Union Carbide Middle East Limited	Delaware	100
Union Carbide Pakistan (Private) Limited	Pakistan	60
Union Carbide Pan America, Inc.	Delaware	100
Dow Quimica Argentina S.A. (28)	Argentina	1
Dow Quimica Chilena S.A. (29)	Chile	1
Union Carbide Philippines (Far East), Inc.	Philippines	100
Union Carbide Polyolefins Development Company, Inc.	Delaware	100
Union Carbide South Africa (Proprietary) Limited	South Africa	100
Union Carbide Subsidiary C, Inc	Delaware	100
Univation Technologies, LLC (1)	Delaware	50

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

	<i>Location*</i>	<i>% Ownership</i>
Union Carbide Subsidiary Q Inc.	Delaware	100
Union Carbide Wire & Cable Company, Inc.	Delaware	100
Union Polymers Sdn. Bhd.	Malaysia	60
UNISON Transformer Services, Inc.	Delaware	100
Westbridge Insurance Ltd.	Bermuda	100
Warbler I LLC	Delaware	100
Yokkaichi MDI Limited (1)	Japan	50
Zhejiang Pacific Chemical Corporation	China	100

*Location of incorporation or organization. Primary location of organization is reported for partnerships.

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

- (1) These companies are 50%-owned, nonconsolidated affiliates of The Dow Chemical Company and are accounted for on the equity basis. Separate financial statements for these companies are not included in this Form 10-K. These companies are not controlled, directly or indirectly, by The Dow Chemical Company. Subsidiaries of these companies, if any, are not listed in this Exhibit 21.
- (2) The Dow Chemical Company effective ownership of Dow Mideast Systems (JSC) is 100% of which Dow Europe Holding B.V. owns 99.95%, Dow Europe GmbH owns 0.025% and Dow InterBranch B.V. owns 0.025%.
- (3) The Dow Chemical Company effective ownership of Dow Turkiye Kimya Sanayi ve Ticaret Ltd Sti is 100% of which Dow Europe Holding B.V. owns 99.87% and Dow InterBranch B.V. owns 0.13%.
- (4) The Dow Chemical Company effective ownership of Mycogen S.A. de C.V. is 100% of which Mycogen Crop Protection, Inc. owns 99% and Agrigenetics, Inc. owns 1%.
- (5) The Dow Chemical Company effective ownership of Dow Quimica de Colombia S.A. is 100% of which The Dow Chemical Company owns 90% and Dow Chemical Inter-American Limited owns 10%.
- (6) The Dow Chemical Company effective ownership of DowBrands L.P. is 100% of which Dow Financial Holdings Inc. owns 58% and DC Partnership Management Inc. owns 42%.
- (7) The Dow Chemical Company effective ownership of Dow Venezuela, C.A. is 100% of which The Dow Chemical Company owns 36.06%, Dow AgroSciences B. V. owns 53.84% and Union Carbide Corporation owns 10.1%.
- (8) The Dow Chemical Company effective ownership of Chemtech II L.P. is 77.61% of which Dow Chemical Delaware Corp. owns 72.46% and Ifco Inc. owns 5.15%.
- (9) The Dow Chemical Company effective ownership of Dow Chemical Japan Limited is 100% of which The Dow Chemical Company owns 89% and Dow AgroSciences B.V. owns 11%.
- (10) The Dow Chemical Company effective ownership of Dow AgroSciences LLC is 100% of which Rofan Services Inc. owns 10.09%, Centen Ag Inc. owns 38.91% and Mycogen Corporation owns 51%.
- (11) The Dow Chemical Company effective ownership of Polyol Belgium B.V.B.A. is 100% of which Dow Benelux B.V. owns 99.5% and Dow Europe Holding B.V. owns 0.5%.
- (12) The Dow Chemical Company effective ownership of Chemtech Portfolio Inc. is 92.57% of which Dow Global Technologies Inc. owns 66.82% and Chemtech II L.P. owns 33.18% (The Dow Chemical Company effectively owns 77.61% of Chemtech II L.P.: see note 8 above).
- (13) The Dow Chemical Company effective ownership of Dow S/B Latex (Zhangjiagang) Co. Ltd. is 100% of which Dow Chemical (China) Investment Company Limited owns 30.73% and Dow Financial Holdings Singapore Pte Ltd. owns 69.27%.
- (14) The Dow Chemical Company effective ownership of Dow Chemical (Zhangjiagang) Co., Ltd. is 100% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 90%.
- (15) The Dow Chemical Company effective ownership of Fort Saskatchewan Ethylene Storage Limited Partnership is 50% of which Dow Chemical Canada Inc. owns 49.9% and Fort Saskatchewan Ethylene Storage Corporation owns 0.2%. (Midland Pipeline Corp. owns 50% of Fort Saskatchewan Ethylene Storage Corporation.)
- (16) The Dow Chemical Company effective ownership of SAL Petrochemical (Zhangjiagang) Company Limited is 50% of which Dow Chemical (China) Investment Company Limited owns 10% and Dow Financial Holdings Singapore Pte Ltd. owns 40%.
- (17) The Dow Chemical Company effective ownership of Mycogen Corporation is 100% of which Centen Ag Inc. owns 11.89% and Rofan Services Inc. owns 88.11%.
- (18) The Dow Chemical Company effective ownership of DowBrands Inc. is 100% of which Dow AgroSciences LLC owns 21% and The Dow Chemical Company owns 79%.
- (19) The Dow Chemical Company effective ownership of PT Dow Chemical Indonesia is 100% of which The Dow Chemical Company owns 84.5991% and Dow Chemical Pacific (Singapore) Private Limited owns 15.4009%.
- (20) The Dow Chemical Company effective ownership of Dow AgroSciences Hungary KFT is 100% of which Dow AgroSciences Switzerland S.A. owns 99.97% and Dow AgroSciences Polska Sp z.o.o. owns 0.03%.
- (21) The Dow Chemical Company effective ownership of Ion Holdings LLC is 100% of which The Dow Chemical Company owns 60% and Rofan Services Inc. owns 40%.
- (22) The Dow Chemical Company effective ownership of Dow Quimica Mexicana S.A. de C.V. is 100% of which The Dow Chemical Company owns 84.58% and Union Carbide Corporation owns 15.42%.
- (23) The Dow Chemical Company effective ownership of Dow AgroSciences Argentina S.A. is 100% of which Dow AgroSciences B.V. owns 89.13% and Agrigenetics, Inc. owns 10.87%.
- (24) The Dow Chemical Company effective ownership of Hobbes Capital S.A., a fully consolidated entity, is 48%.
- (25) The Dow Chemical Company effective ownership of Dexco Polymers L.P. is 50% of which DW Dexco Investment LLC owns 49.5% and Dexco Polymers Operating Company LLC owns 1%. (The Dow Chemical Company owns 50% of Dexco Polymers Operating Company LLC).

Subsidiaries of The Dow Chemical Company
At December 31, 2005

EXHIBIT 21

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- (26) The Dow Chemical Company effective ownership of Dow International Holdings General Partnership is 100% of which Dow International Holdings S.A. owns 99.93% and Dow Chemical International Ltd. owns 0.07%.
 - (27) The Dow Chemical Company effective ownership of Dow Zwijndrecht B.V.B.A. is 100% of which Dow Europe Holding B.V. owns 99.65% and Dow InterBranch B.V. owns 0.35%.
 - (28) The Dow Chemical Company effective ownership of Dow Quimica Argentina S.A. is 100% of which The Dow Chemical Company owns 87.89%, Union Carbide Corporation owns 11.99% and Union Carbide Pan America, Inc. owns 0.12%.
 - (29) The Dow Chemical Company effective ownership of Dow Quimica Chilena S.A. is 100% of which The Dow Chemical Company owns 89.81%, Union Carbide Inter-America Inc. (Delaware) owns 10.16% and Union Carbide Pan America, Inc. owns 0.03%.
 - (30) The Dow Chemical Company effective ownership of Dow International Holdings Company is 100% of which The Dow Chemical Company owns 81.72%, Essex Specialty Products LLC owns 10.87% and Union Carbide Corporation owns 7.41%.
 - (31) The Dow Chemical Company effective ownership of Modeland International Holdings Inc. is 100% of which Dow Chemical Finance Canada Inc. owns 59.1% and Union Carbide Corporation owns 40.9%.
 - (32) The Dow Chemical Company effective ownership of Dow Hungary Kft. is 100% of which Dow Europe Holding B.V. owns 99.98% and Dow InterBranch B.V. owns 0.02%.
 - (33) The Dow Chemical Company effective ownership of Productos Quimicos Peruanos S.A. is 100% of which The Dow Chemical Company owns 91.21% and Union Carbide Inter-America Inc. (Delaware) owns 8.79%.
 - (34) The Dow Chemical Company effective ownership of Johann Haltermann Ltd. is 100% of which Proresin Inc. owns 99% and Haltermann Incorporated owns 1%.
 - (35) The Dow Chemical Company effective ownership of Valuepark Terneuzen CV is 50% of which Terneuzen Partnership Services B.V. owns 10% and Valuepark Terneuzen Beheer BV owns 80%. (Dow Benelux B.V. owns 50% of Valuepark Terneuzen Beheer BV).
 - (36) The Dow Chemical Company effective ownership of Dow Chemical International Pvt. Ltd. is 100% of which Dow Chemical Pacific (Singapore) Private Limited owns 99.99% and Dow Chemical (Singapore) Private Limited owns 0.01%.
 - (37) The Dow Chemical Company effective ownership of AVC Holdings Inc. is 100% of which The Dow Chemical Company owns 63% and Dow Global Technologies Inc. owns 37%.
 - (38) The Dow Chemical Company effective ownership of Dow Investment Argentina S.A. is 100% of which The Dow Chemical Company owns 97.1% and Essex Specialty Products LLC owns 2.9%.
 - (39) The Dow Chemical Company effective ownership of Dow AgroSciences India Pvt. Ltd. is 100% of which Dow AgroSciences Agricultural Products Limited owns 99.99% and DAS Agricultural Investment Holding Company Ltd. owns 0.01%.
 - (40) The Dow Chemical Company effective ownership of PBBPolisur S.A. is 100% of which Dow Investment Argentina S.A. owns 72% and The Dow Chemical Company owns 28%.
 - (41) The Dow Chemical Company effective ownership of Dow Deutschland GmbH & Co OHG is 100% of which Dow Automotive (Deutschland) GmbH owns 35%, Safechem Europe GmbH owns 35% and ANGUS Chemie GmbH owns 30%.
 - (42) The Dow Chemical Company effective ownership of DML Holding Inc. is 100% of which The Dow Chemical Company owns 88.84% and Union Carbide Corporation owns 11.16%.
 - (43) The Dow Chemical Company effective ownership of Dow Canada Holding LP is 100% of which The Dow Chemical Company owns 88.839%; Union Carbide Corporation owns 11.160% and DML Holding Inc. owns 0.001%.
 - (44) The Dow Chemical Company effective ownership of Dow AgroSciences Bolivia S. A. is 100% of which Dow AgroSciences B.V. owns 99.98%; Dow AgroSciences Argentina S.A. owns 0.01% and Dow AgroSciences Paraguay S.A. owns 0.01%.
 - (45) The Dow Chemical Company effective ownership of Agrigenetics is 100% of which Mycogen Plant Science owns 80.54% and Mycogen Corporation owns 19.46%.

Consent of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
The Dow Chemical Company:

We consent to the incorporation by reference of our reports dated February 8, 2006 relating to the consolidated financial statements and financial statement schedule (which report expresses an unqualified opinion and includes an explanatory paragraph relating to a change in the method of accounting for stock-based compensation to conform to Statement of Financial Accounting Standards No. 123 for new grants of equity instruments to employees), of The Dow Chemical Company, and management's report on the effectiveness of internal control over financial reporting appearing in this Annual Report on Form 10-K of The Dow Chemical Company for the year ended December 31, 2005, in the following Registration Statements of The Dow Chemical Company:

Form S-3:

Nos. 33-37052
33-52980
333-101647
333-106533

Form S-4:

No. 333-88443

Form S-8:

Nos. 2-64560
33-21748
33-51453
33-52841
33-58205
33-61795
333-27379
333-27381
333-40271
333-43730
333-49183
333-67414
333-88443
333-91027
333-103518
333-103519
333-105080
333-115185
333-122932
333-129381

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP
Midland, Michigan
February 16, 2006

Analysis, Research & Planning Corporation's Consent

The Dow Chemical Company:

Analysis, Research & Planning Corporation ("ARPC") hereby consents to the use of ARPC's name and the reference to ARPC's reports dated January 9, 2003, January 26, 2004, January 26, 2005 and January 3, 2006 in this Annual Report on Form 10-K of The Dow Chemical Company for the year ended December 31, 2005, and the incorporation by reference thereof in the following Registration Statements of The Dow Chemical Company:

Form S-3:

Nos. 33-37052
33-52980
333-101647
333-106533

Form S-4:

No. 333-88443

Form S-8:

Nos. 2-64560
33-21748
33-51453
33-52841
33-58205
33-61795
333-27379
333-27381
333-40271
333-43730
333-49183
333-67414
333-88443
333-91027
333-103518
333-103519
333-105080
333-115185
333-122932
333-129381

/s/ B. THOMAS FLORENCE

B. Thomas Florence

President

Analysis, Research & Planning Corporation

February 13, 2006

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew N. Liveris, President, Chief Executive Officer and Chairman-Elect of The Dow Chemical Company, certify that:

1. I have reviewed this annual report on Form 10-K of The Dow Chemical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2006

/s/ ANDREW N. LIVERIS

Andrew N. Liveris

President, Chief Executive Officer and
Chairman-Elect

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Geoffery E. Merszei, Executive Vice President and Chief Financial Officer of The Dow Chemical Company, certify that:

1. I have reviewed this annual report on Form 10-K of The Dow Chemical Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2006

/s/ GEOFFERY E. MERSZEI
Geoffery E. Merszei
Executive Vice President and Chief Financial Officer

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Andrew N. Liveris, President, Chief Executive Officer and Chairman-Elect of The Dow Chemical Company (the "Company"), certify that:

1. the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ ANDREW N. LIVERIS

Andrew N. Liveris
President, Chief Executive Officer and
Chairman-Elect
February 17, 2006

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Geoffery E. Merszei, Executive Vice President and Chief Financial Officer of The Dow Chemical Company (the "Company"), certify that:

1. the Annual Report on Form 10-K of the Company for the year ended December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ GEOFFERY E. MERSZEI

Geoffery E. Merszei
Executive Vice President and Chief Financial Officer
February 17, 2006

